

FINANCIAL TIMES

Weekend FT

Mapplethorpe: where do we draw the line?

Property - a 12-page supplement

Bush tucker becomes 'native cuisine'

SECTION II

World Business Newspaper http://www.FT.com

WEEKEND SEPTEMBER 21/SEPTEMBER 22 1996

Swedish budget attacked for lack of job measures

Employers, trade unions and opposition parties attacked Sweden's Social Democratic government for failing to address the country's unemployment problem in its annual budget.

BA seeks dismissal of USAir action: British Airways asked a New York judge to dismiss legal action against it by USAir.

EU seeks Emsu agreement: European Union finance ministers and central bankers will today meet in Dublin to try to reach agreement on managing currency and budgetary discipline after the planned launch of the single currency in 1999.

London shares slip after quiet expires: The UK stock market moved within six points of the 4,000 level on the FT-SE 100 index yesterday before suddenly sliding back to finish a busy session 10.3 points off at 3,964.1.

FT-SE 100 index: Hourly movements. The UK stock market moved within six points of the 4,000 level on the FT-SE 100 index yesterday before suddenly sliding back to finish a busy session 10.3 points off at 3,964.1.

Boots buys French business: UK retailer Boots is to buy Laboratoires Lutsia, a French skincare company, for FF920m (\$181m) as part of a policy of enhancing its over-the-counter healthcare business.

Yeltsin operation 'very serious': Russian president Boris Yeltsin faces a 'very serious' heart operation, the head of the Kremlin medical centre said.

Hughes in satellite merger: Hughes Electronics and PanAmSat reached a \$5bn agreement to merge their satellite services into a new corporation to exploit the fast-growing space communications market.

India's donors raise aid to \$7bn: India's aid donors raised their combined pledges of assistance to \$7bn for next year.

Colonial Mutual heads for listing: About 270,000 UK policyholders with Australian life insurance company Colonial Mutual are set to receive shares worth on average more than \$1,000 (\$1,560) if Colonial converts to a listed company.

Canada to fund Cuban airport project: Canada agreed to finance construction of a C\$35m (US\$25.5m) third terminal at Havana airport.

Close end to Greek campaign: Greece's socialist prime minister Costas Simitis is under 2 percentage points ahead of his conservative rival in a general election campaign that ends with the vote tomorrow.

'Over 100%' turnout for Bosnia poll: An independent monitoring agency calculated the turnout for Bosnia's first postwar poll at 103.9 per cent.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

Table with 2 columns: Company Name and Share Price. Includes Atlas Converting, Barings, Boots, British Airways, Cobleigh (Tom), Compel, Court Cevendish, Cunard, Edge Properties, Estates & General, Goldsbrough, Gradus, Kvaerner, Laboratoires Lutsia, Lloyds Abbey Life.

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Fischler attacks Brittan over news reports on BSE

Trade commissioner accused of acting as 'white knight'

Mr Franz Fischler, European agriculture commissioner, yesterday attacked Sir Leon Brittan, commissioner for trade, over his attempts to influence UK press coverage of the BSE crisis.

In a scathing letter, Mr Fischler rebuked Sir Leon, a former UK cabinet minister, for press briefings by his staff on Wednesday which led to media reports suggesting the government had won a "reprieve" from the Commission.

The reports included comments said to have been made by Mr Fischler at a meeting of commissioners - normally considered closed-door affairs.

well as Russian-Nato relations. Nato is widely expected to embrace at least three new members - Poland, Hungary and the Czech republic - by the end of the century.

Mr Primakov's warning came at a meeting in Vienna of the Organisation for Security and Co-operation in Europe (OSCE), shortly before meeting

offers the government a way of kick-starting AZLK, the Moscow carmaker which produces the Moskvich.

The Kremlin is about to enter the car dealership business to pay off nearly \$4bn of government bonds.

Issued by cash-strapped governments in the dying days of the Soviet Union and the first months of the current Russian regime, the securities promised future access to a variety of consumer goods which, at the time, were scarce.

These goods ranged from refrigerators to cars and the repayment plan also

Continued on Page 24 Yeltsin's health, Page 2

Table with 2 columns: Index Name and Value. Includes FT-SE 100, FT-SE 1000, FT-SE 100, FT-SE 1000, Nikkei, Dow Jones Ind Ave, S & P Composite, US LUNCHTIME RATES, STERLING, DOLLAR, NORTH SEA OIL, LONDON MONEY, GOLD.

Table with 2 columns: Section Name and Page Number. Includes Contents, News, International News, UK News, Weather, Lax, Features, Leader Page, Letters, Min in the News, Companies, UKVet, Markets, FT-SE Analysis, Foreign Exchange, Gold Markets, London SE, LSE Dealings, Managed Funds, Money Markets, Focust leaves, Share Information, World Commodities, Wall Street, Courses, Weekend FT, Section II, Residential property, Separate Section.



Manhunt: South Korean soldiers search for North Korean troops who landed by submarine. Seoul has asked the United Nations to condemn the incursion. Report, Page 24

Barings attempted to track Leeson's trades

By John Gapper and Nicholas Denton in London

Confidential transcripts of telephone conversations inside the UK merchant bank Barings in the final days before it collapsed reveal a last-ditch effort by a senior manager to penetrate the mystery of Mr Nick Leeson's trading.

Mr Desmond Kelly called Mr Ron Baker, head of derivatives at Barings, a week before the collapse last year to press him over rumours that Barings was about to fail because of the huge volume of derivatives trading by Mr Leeson.

During the conversation, Mr Kelly inadvertently identified the key weakness in Barings' internal controls that was to lead to its collapsing with losses of \$280m (\$1.3m) amassed by Mr Leeson.

On the day of the conversation - February 17, 1995 - Mr Leeson had lost about \$470m of Barings' money. The remaining \$36m was gambled away by Mr Leeson over the next few days in an effort to recoup his losses.

Although Barings was already in effect bankrupt - since it only had equity of \$308m - the investments of bondholders who had lent \$100m to the merchant bank might have been saved if Mr Leeson's deception had been halted immediately.

Mr Kelly pressed Mr Baker to tell him the identity of Mr Leeson's mystery customer for whom he was apparently buying futures. In fact, the

Continued on Page 24

Russia warns Nato on expansion plans

Russia yesterday warned Nato that any extension of the military structure of the Atlantic alliance towards its own western frontier would be "absolutely unacceptable".

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Continued on Page 24 Yeltsin's health, Page 2



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NEWS: INTERNATIONAL

EU seeks Emu sanctions blueprint

By Lionel Barber in Dublin

European Union finance ministers and central bankers will today try to reach agreement on a blueprint for managing currency and budgetary discipline after the planned launch of the single currency in 1999.

cautiously optimistic about a broad deal. This would reassure financial markets the timetable for economic and monetary union remains on track.

The European Commission will boost confidence today with news that economic growth is picking up across the EU.

public deficits of 3 per cent per cent of GDP in 1997. This week France said in its draft budget for 1997 that it would hit the target - but only thanks to a one-off payment of FF47bn (\$7.5bn) from France Télécom to the government covering future pensions liabilities.

reserved final judgment. Fears about an over-flexible interpretation of Maastricht are increasing German pressure for budgetary discipline after monetary union. Mr Theo Waigel, German finance minister and architect of the so-called Stability Pact, wants automatic penalties against fiscal delinquents within a timetable of six months.

At British insistence, membership of the new ERM will be voluntary. But Mr Kenneth Clarke, UK Chancellor (finance minister), may face a tricky debate today on the legal status of the euro.

Bosnia voter turnout 'was 103.9%'

By Laura Silber in Sarajevo

The international organisers of Bosnia's first post-war poll were having trouble yesterday accounting for a huge voter turnout which an independent monitoring agency called "impossibly high".

The International Crisis Group (ICG), a respected independent agency, yesterday said 2.43m voters cast ballots in the general election last Saturday but the maximum number of voters should have been 2.34m.

Voter turnout was 103.9 per cent, according to ICG's calculations. The Organisation for Security and Co-operation in Europe (OSCE), which oversaw the Bosnian elections, said voter turnout was 82 per cent. It said 8.8 per cent of the ballots were invalidated in Republika Srpska, the Bosnian Serb entity, and 4 per cent in the Muslim-Croat federation, with particularly high figures in sensitive areas.

Before the elections, the OSCE estimated 2.9m Bosnians would be eligible to vote but it has been difficult to give a precise figure. "Our directors of refugee and voter registration are looking into these allegations," said Ms Nicole Saul, acting OSCE spokeswoman. "We do not want to say anything until we check the figures. We take these allegations very seriously. But it would be highly unusual to have such a huge gap - indicating an organised conspiracy," she said.

Municipal elections, also set for September 14, were postponed until late November because of flagrant manipulation by Serb authorities of the registration of refugee voters.

The OSCE is due to certify the election results next week. As part of efforts to cement a lasting peace in the region, President Alija Izetbegovic, the newly elected chairman of Bosnia's rotating presidency, will meet President Slobodan Milosevic of Serbia in Paris on October 3.

International mediators are hoping the two countries will establish full diplomatic relations. Bosnia and Yugoslavia, the latter now comprising Serbia and Montenegro, are the only states to emerge from the ruins of former Yugoslavia who have not established full diplomatic relations, but Mr Milosevic so far has refused to recognise Bosnia unless it drops genocide charges against Yugoslavia at the International Court of Justice in The Hague.

Uncertain Future, Page 9

Socialist party struggles to stay ahead of conservative rival

Greeks hand no poll gift to Pasok

By Karin Hope in Athens

Mr Costas Simitis, Greece's Socialist prime minister, is still struggling to stay ahead of his conservative rival in an increasingly strident general election campaign that ends with the vote tomorrow.

Opinion polls give the Panhellenic Socialist Movement a lead of less than two percentage points, with an unusually high proportion of undecided voters for a campaign's final days. The polls indicated that both Pasok and the conservative New Democracy party, led by Mr Kiriakos Karamanlis, were losing votes to a group of small parties which together are forecast to win some 20 per cent of the vote.

However, a hung parliament is unlikely, as Greece's proportional election system is designed to give an outright majority to the front-running party, even if it finishes only one percentage point ahead.

Mr Simitis appeared to be relying on last night's massive rally in central Athens, complete with fireworks, coloured flares and tens of thousands of Pasok supporters bussed in from the provinces, to push him back into power.

Yet many Pasok candidates have already stopped making speeches and are hosting parties in the hope of winning back disaffected voters. Mr Antonis Vgontzas, a Pasok candidate in the fiercely contested Athens Beta constituency, wound up his campaign by inviting supporters to a moonlit reception on a cruise ship.

Mr Vgontzas, clutching a drink while one of Greece's best-known popular composers serenaded hundreds of well-dressed guests, said: "I've been trying everything I can think of to get people interested, from a mallshot aimed at new voters to a site on the Internet to encourage Greeks abroad to vote."

Early predictions that Mr Simitis would coast back for a new four-year term with Pasok holding a sizeable majority in the 300-seat parliament soon proved mistaken. Analysts at first blamed Mr Simitis's lacklustre image compared with that of his predecessor, the late Andreas Papandreu, and his preference for a televised campaign based on debates and interviews rather than traditional rallies.

As it became clear that Greek voters, especially in rural areas, still enjoy passionate rhetoric and a chance to shake hands with a party leader, Mr Simitis switched tactics. He started touring the provinces and dropped his polite professional tones, even referring to Mr Vgontzas by his nickname of "Hondros" (Fatso).

However, urban voters claim they are bored with politics on the grounds that Greece's twin priorities of joining the European monetary union early next century and out-manoeuvring Turkey in the feud over control of the Aegean sea will remain the same, regardless of which party holds power.

Mr Simitis has had to fight off damaging accusations that he mishandled a stand-off with Turkey over the Imia islets last January, thereby encouraging Ankara to question Greek sovereignty over more than 100 small islands.

Still, Mr Simitis has been unable to consolidate his advantage, largely because Greek businessmen are suspicious of his populist economic policies. He is also being undermined on the campaign trail by Mr Constantinos Mitsotakis, a former conservative prime minister who is keen to promote his daughter, Mrs Dora Bakoyannis, as the future leader of New Democracy.

Mr Simitis is expected to lose most votes not to the conservatives but to the Democratic Renewal Movement (Dikiki), a leftwing splinter group that appeals to Socialists nostalgic for the free-spending 1980s. Its leader, Mr Dimitris Tsouvolas, a former finance minister, comforts them by contradicting Pasok's current policies, asserting that the public sector must expand, small businesses should be subsidised and EU funds used to create thousands of new jobs in the countryside.

Mr Tsouvolas, a colourful speaker, also benefits from being considered the victim of a conspiracy to discredit Pasok by the Mitsotakis government. He was convicted on breach of trust charges for involvement in a \$20m embezzlement scandal at the Bank of Crete, in which stolen funds supposedly ended up in Pasok's coffers.

Other fringe parties such as the Greek communists, still unrepentantly Stalinist, and the ex-communist Synaspismos, are also expected to win at least 3 per cent of the vote nationwide and qualify for seats in parliament.

But New Democracy's vote will also be dented by a rightwing splinter group, The Nationalist Political Spring, led by Mr Antonis Samaras, a former foreign minister, is popular with young conservatives who dislike Mr Simitis's confrontational style.

Tough election fight for Armenian leader

By Sander Theones in Yerevan, Armenia

Armenia's president faces an unexpectedly strong challenge in an election tomorrow, but unlike contenders in similar parts of the former Soviet Union, his rival is not a communist.

Mr Levon Ter-Petrosian, elected on a surge of nationalist and anti-communist sentiment five years ago, is likely easily to defeat two challengers, the former security adviser and a stalwart Communist party leader. But Mr Vazgen Manukian, his former friend and prime minister, and a capitalist, will be a tougher opponent.

Mr Ter-Petrosian has pushed through some of the more drastic market reforms implemented in the former Soviet Union, producing low inflation and economic growth this year despite a trade blockade imposed by neighbouring Turkey and Azerbaijan in reprisal for Armenia's occupation of Azeri territory.

While the pain of such reforms has revived nostalgia for communism in most former Soviet republics, Mr Manukian promises to ease the pain with social spending, without any intention of turning back the clock.

Opinion polls are unreliable, but he appears to have risen to a close second or even first since three other candidates from leftwing and nationalist movements dropped out in his favour this week. Mr Manukian yesterday predicted he would win the support of 60 per cent of Armenia's 2.4m eligible voters. "Things have changed drastically in the past few days," he said. "It's clear that the people have great hopes in the opposition. People want to live better."

Mr Gerard Libaridian, senior adviser to the president, acknowledged that unification of the opposition had surprised the government.

The action had been widely expected after a series of multi-million peseta deals, estimated to be worth Pta19bn (\$125m), that Antena Tres had struck with top clubs and with Spain's professional football federation before the season opened.

Antena Tres, which has, like Canal Plus, begun to invest in cable TV, is also now seeking an entry into the digital industry, possibly in association with the state-owned television networks and Mexico's Televisa.

The upshot of the Antena Tres foray into football was that Barcelona, Real Madrid and other teams backed by legions of fans rescheduled a number of weekend matches during the season to prime time on Mondays, the slot chosen by Antena Tres for its soccer TV.

The launch of Monday TV football has brought with it a number of tangential battles. One has involved bars and restaurants that have threatened to boycott food and drink companies advertising during TV matches because stay-at-home football fanatics are costing the sector some Pta170bn a year in wine and tapes no longer being consumed.

Another has centred around assertive, fed-up-with-football women who are organising self-help associations around the country to organise cultural activities to compensate for the loss of family life.

Already last season a total of 94 football matches were broadcast on Spanish networks, 599 of them live. Rich clubs which reached deep into their pockets to sign up stars and sought to regain the money from Antena Tres are under attack from not-so-rich clubs which have been left out of the Monday match deal. Barcelona and Real Madrid have splashed out Pta4.8bn and Pta4.2bn respectively on new players and both have secured Pta3bn contracts from Antena Tres.



Greek PM Costas Simitis: strident campaign

DHL dilemma for France

By David Buchan in Paris

Sleep or jobs - this is the dilemma that has faced a number of French cities considering whether to allow DHL, the US air freight company, to set up a mini-hub in France for night flights.

Strasbourg chose sleep. The US company had decided that the capital of Alsace was the best place from which to serve eastern France, part of Germany and Switzerland. The plan, which would have created 1,100 jobs by 2000, had had the enthusiastic support of the local chamber of commerce, which runs the Strasbourg-Knuetzheim airport.

But local opposition to DHL's plan to operate 17 complete flights, or 34 flight movements, a night grew steadily, causing the mayor and local politicians to back away. It culminated last weekend in a march through the city by 15,000 demonstrators, protesting "DHL - sleep-stealer". This week even the chamber withdrew, and DHL conceded defeat.

But this has galvanised into action other regions, putting jobs above peaceful dreams. The regional council of Lorraine yesterday took full-page advertisements in national newspapers declaring: "The people of Lorraine say welcome to DHL because for them the prime quality of life is to have work."

From further south, seven cities in the Rhone-Alpes region yesterday issued a joint communiqué making a pitch for DHL to base itself at the Satolas airport, east of Lyons. Mr Charles Millon, president of the Rhone-Alpes regional council as well as defence minister, said he would press the matter in Paris.

DHL said the company had received other offers and would review them all, but would need two to three months to choose an alternative to Strasbourg. "The noise levels of all our planes meet or are below European norms," it said. "But we don't operate gliders."

Mr Murtaza Bhutto, the estranged brother of the Pakistani prime minister, Ms Benazir Bhutto, was seriously injured in a gunfight with police in Karachi last night, hospital sources said.

Three Egyptian militants were convicted and sentenced to death yesterday for the attempted assassination of Egyptian President Hosni Mubarak, FANA radio reported.

INTERNATIONAL NEWS DIGEST

Yeltsin hospital stay extended

Russian President Boris Yeltsin faces a "very serious" operation, Kremlin doctors said yesterday, as it emerged that he would stay in hospital for another "three or four" days. Mr Sergei Mironov, head of the presidential health centre, denied rumours that Mr Yeltsin's poor health makes him unfit for his planned heart bypass operation, a date for which will be set on September 25.

Mr Mironov said doctors wanted to make sure "no mistakes" are made. The long stay in hospital was to ensure that problems with other organs did not complicate the surgery.

Mr Yeltsin had been scheduled to leave hospital a week ago and the third extension fuelled speculation that the Kremlin might not be forthcoming about the Russian leader's health. Mr Michael DeBakey, a US heart surgeon, will be brought in for consultation.

The operation itself will be performed by a Russian. Mr Yeltsin's best-known heart surgeon, probably Mr Renat Akhchurin, Russia's best-known heart surgeon, will be brought in for consultation.

Thai no-confidence vote today

The Thai parliament is due to vote today on a no-confidence motion against the prime minister. Mr Banharn Silpa-archa, after three days of debate that featured a wave of allegations that nevertheless appear to have left Mr Banharn's six-party coalition intact.

Mr Banharn defended himself against opposition claims that he was not a Thai-born national by producing immigration documents that showed his father arrived in Thailand from China in 1907. The opposition produced a copy of the same document which said Mr Banharn's father did not arrive in Thailand until 1937, five years after Mr Banharn was born. Only Thai-born citizens can stand for public office.

Australian's China trip on

General John Baker, Australia's chief of staff, is to go ahead with a visit to China later this month despite the row over the Dalai Lama's visit to Australia. Mr Alexander Downer, Australia's foreign minister, said in London that China had given no indication that it wanted to cancel the meeting, which is part of an effort to step up bilateral contacts on regional security matters.

China has threatened trade sanctions against Australia because of the Dalai Lama's visit, which is set for January. The US and the prime minister, Mr John Howard, Mr Downer met the Tibetan spiritual leader privately before departing on his current European trip.

Japan music copyright reform

The Japanese government is to reform its rules governing the intellectual property rights of the music recording industry to bring them in line with those of the US and EU. The move comes after the US and EU complained to the World Trade Organisation earlier this year that Japan's copyright rules for recorded music breached internationally agreed intellectual property rights.

The US and EU had initiated dispute settlement proceedings at the WTO on the grounds that Japanese copyright protection for recording musicians and companies, known as neighbouring rights, which is retroactive only to 1971, breaches 1988 international agreements which came into effect in January. The US and EU extend neighbouring rights back to 1946.

Japan is the second largest market for recorded music, after the US, with a market value in 1994 of \$5.93bn, or 17 per cent of the \$35.5bn global music market, according to the International Federation of the Phonographic Industry.

Singapore exports dip

Singapore announced yesterday that its non-oil exports fell 6.3 per cent to \$87.01bn (US\$5bn) in August as the island republic continued to suffer from a slump in global electronics demand. The decline in non-oil exports, which are regarded as the key barometer of trade performance, compared with a 6.8 per cent year-on-year rise in July and a 6.1 per cent fall in June.

Analysts said the August figures confirmed the economy's vulnerability to the softening demand for electronics. Total trade in August reached \$228.66bn, down 6.5 per cent from a year earlier. It was also substantially lower than the total trade of \$260.83bn in the month before and \$282.15bn in June.

Singapore is to join the World Trade Organisation's government procurement code in a move that will open its US\$13.1bn procurement market to international competition. Approving Singapore's membership application yesterday, the WTO committee on government procurement said it hoped other countries in south-east Asia would follow in joining the voluntary agreement.

Cote d'Ivoire oil deal signed

More evidence of growing international interest in oil prospects off the west coast of Africa emerged yesterday when a new production-sharing contract was signed to explore in deep water off Cote d'Ivoire. United Medians, a US energy company, and Shell Exploration Africa signed an agreement covering a 512,000 acre block known as Entente, which lies in water depths of 600-2,000 metres.

It is the first deep-water exploration block to be awarded by the Abidjan government. The country now has just two producing fields, with a combined output of just 15,000 b/d. A growing number of western oil companies has been attracted to the deep water off Africa's west coast, where several large discoveries have recently been made.

No third term for Rafsanjani

Ayatollah Ali Khamenei, Iran's spiritual leader, appeared yesterday to have put an end to speculation in Tehran that the country's constitution might be amended to allow President Ali Akbar Rafsanjani to run for a third term in office after his current term expires in eight months' time.

"Mr Rafsanjani's presence would be most valuable when he will take up other responsibilities at the end of his presidential term of office," said Ayatollah Khamenei. The statement opens the race to the two main Islamic factions in the government, each determined to hold the top executive post. Mr Rafsanjani has repeatedly said he is not interested in changing the constitution just to allow him to run again.

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Cries of 'foul' over TV football

Angry Spanish soccer widows seek to blow the whistle on their menfolk

By Tom Burns in Madrid

The battle for control of Spain's television is being fought on the playing fields of its star-studded football league.

The first serious engagement has taken the form of legal action initiated yesterday by Canal Plus - controlled by Prisa, the domestic media giant - against Antena Tres, a network managed by the Zeta publishing group, based in Barcelona.

In a nation that is football mad and has television for its prime leisure activity, the issue of whose cameras film what matches is vital to an industry that is moving fast towards big investments in digital and cable TV.

The suit by Canal Plus, a pay TV channel which is 25 per cent owned by Canal Plus France, alleges that Antena Tres used unfair means to break the virtual monopoly it held over first division matches.

Sunday soccer broadcast by Canal Plus is estimated to account for more than 70 per cent of the channel's subscribers, and any weakening of its grip on the game could affect its ambitions, unveiled earlier this month, to bring digital television via satellite to Spain in association with DirecTV of the US and Divitel of Venezuela.

The action had been widely expected after a series of multi-million peseta deals, estimated to be worth Pta19bn (\$125m), that Antena Tres had struck with top clubs and with Spain's professional football federation before the season opened.

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مكتبة الازهر

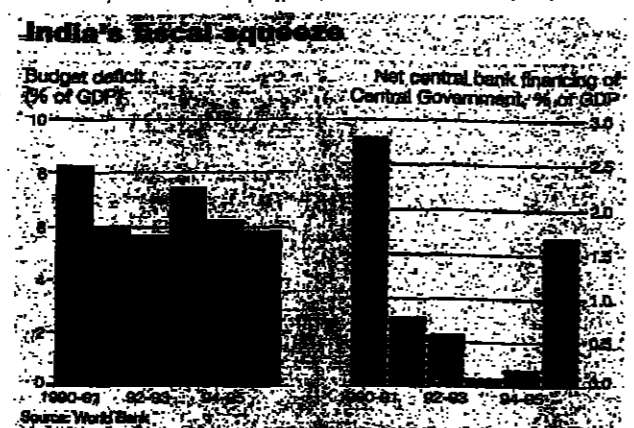
# Donors increase aid for India to \$7bn

By Mark Michelson  
in New Delhi

India's bilateral and multilateral aid donors have raised their combined pledges of assistance to \$7bn for next year, praising the country's sustained economic growth and reforms but expressing concern over fiscal discipline and the country's relatively high tariff rates.

The pledges, made at an annual donors' meeting in Tokyo, mark a small rise on last year's commitment of \$6.8bn - though actual disbursements this fiscal year of \$3.5bn are expected to be exceeded by repayments of \$3.8bn.

Mr Montek Singh Ahluwalia, senior finance ministry official, said the government was "very pleased" with the aid commitments, which he added, met "our expectations as far as managing the balance of payments".



The World Bank - India's biggest donor, offering commitments of \$2.5bn for next year - said a total \$6.8bn had been pledged, with an additional \$400m available at commercial rates. A third of the former total comprised concessional loans, the remainder official development assistance. Japan's commitment of ¥135bn

said there was "no difference of perception there", saying India's three-month-old coalition government had placed a "high priority" on cutting the gap, to a targeted 5 per cent of GDP this year.

A World Bank report issued before the donor meeting cited the fiscal gap as "the most important threat" to economic growth rates now running at 6.5 to 7 per cent and argued that "meaningful fiscal adjustment has yet to take place". It said that without sharper adjustment, "India will be in a debt trap" and "not be able to maintain the current mix of low inflation and relatively high growth".

Senior Indian officials said this week that present government revenues were in line with projections, notwithstanding recent data showing a slowdown in export and import growth and falls in both industrial

output and investment; trends the government and many economists attribute to a recent but easing liquidity squeeze, high interest rates and infrastructural problems.

Mr Ahluwalia said he was "reasonably confident" of reaching the 5 per cent fiscal deficit target, but admitted that a public disinvestment programme slated to raise Rs50bn (\$1.4bn) by next March was delayed and would probably start only in January, five months late. Failure to raise the bulk of the expected Rs50bn would, one senior official conceded earlier this week, leave a "big hole" in government finances.

He also said the government was not unduly perturbed by a strong recent dip in export growth rates, which hit a 42-month low of 6 per cent year-on-year in July, nor currently high interest rates, which he said

would ease. Lower export growth, he said, reflected a comparison with particularly high rates this time last year, arguing the same to be true of comparative rates of industrial output growth. April-July exports growth this year of 12 per cent is well below targets of 20 per cent.

"I wouldn't conclude from a three-month picture that there is any real slowdown in exports," he said.

Mr Ahluwalia also addressed donor concern over Indian tariff rates, which the Bank report said "still remain among the world's highest". "Our declared policy is to bring the tariffs, within the next few years, down to the level prevailing in comparable developing countries," he said, adding that present average rates of 19 per cent would "probably come down to half that level" in a few years.

# Aid to pave Afghan way for pipeline

By Robert Corzine  
in London

Blankets and baby food could pave the way for one of the more audacious international pipeline proposals to open the bountiful oil resources of the Caspian Sea and central Asia to world markets.

Companies promoting a multi-billion-dollar oil and natural gas pipeline that would run from Turkmenistan to Pakistan via Afghanistan also want to bring together all of the warring Afghan factions in a "pipeline council" that could give a kick-start to a resolution of the civil war.

They are also prepared to make millions of dollars in bonus payments to the various factions in Afghanistan, but only in the form of humanitarian aid whose distribution will be overseen by a non-governmental aid organisation.

Unocal, the Los Angeles-based oil company, and Delta Oil, a private Saudi Arabian group, say all the country's factions, including the fundamentalist Taliban movement, have expressed support for the project.

"It's the one thing they do all agree on," says Mr Marty Miller, the Unocal vice president overseeing the project.

The companies hope to form the "pipeline council" with representatives from all factions, by the end of the year, to discuss in detail how the pipeline could be built. The two companies will use the council to "aggressively communicate" to the factions the economic benefits of ending the fighting.

That message will be reinforced by the bonus payments and by possible "demonstration projects". These may include clearing land mines from some of the proposed pipeline route, which follows the Herat to Kandahar road before crossing into Pakistan near Quetta, or launching training pro-

grammes for workers who would eventually be used to build the pipeline.

The companies also plan to seek matching funds from other aid donors. "We want to really leverage this thing," said Mr Miller.

Representatives from Delta, which is politically well-connected in Saudi Arabia, are dealing with some of the tougher "political and cultural issues", according to Mr Miller. The Saudi government, which has been deeply involved in funding various groups in Afghanistan since the Soviet invasion in 1980, has given its full backing to the pipeline scheme.

Unocal executives admit the pipeline cannot create peace in Afghanistan. But establishment of a council could be a catalyst for "the start of conflict resolution", and add momentum to any initiative that might emerge.

The companies are "committed but realistic" about the project's prospects, and they concede it could not go ahead if the political impasse in Afghanistan continued. Nor would it be viable if there was a chance of it becoming a "political target" for disaffected factions.

But executives said funding of the project could be arranged as soon as a competent "central" authority emerges in Kabul. They have been told by the World Bank that the project could be eligible for loans as soon as there was a "single entity" which could show that its members controlled all the territory within Afghanistan's borders. The gas pipeline would cost about \$2bn to build, with the budget for the oil line estimated at between \$2.4bn and \$2.6bn.

Although there are a number of competing proposals for pipelines out of the Caspian Sea region, Mr Miller says the Afghan option is the only one aimed at Asia, the world's fastest growing energy market.

# BA seeks dismissal of USAir lawsuit

By Michael Skapinker,  
Aerospace Correspondent

British Airways yesterday asked a New York judge to dismiss legal action against it by USAir, in which it has a minority stake, saying the US carrier was using the suit to pressure BA to re-negotiate their alliance.

USAir shocked BA's top management by launching legal action in July against the UK carrier over its proposed alliance with American Airlines. USAir, which is 24.6 per cent owned by BA, said the alliance with American would be anti-competitive. It also said it violated the 1993 agreement under which BA took its stake in USAir.

USAir also said it wanted the case heard by Judge Miriam Cedarbaum, the same judge hearing an anti-trust action against BA brought by Virgin Atlantic, the UK carrier's bitter rival.

BA's motion says new management at USAir is disappointed the agreement between the two allows the UK airline to seek an additional partner. USAir earlier this year appointed Mr Stephen Wolf, a veteran airline executive, as its chairman to succeed Mr Seth Schofield, who retired.

BA said Mr Schofield had agreed last year that its discussions with American were "perfectly acceptable" and that there was "nothing in the 1993 investment agreement that prohibits either them or us from seeking other partners".

BA said Mr Wolf was frustrated the deal he inherited allowed it to strike its proposed alliance with American, announced in June, and wanted to re-negotiate it. BA's submission to the court said: "Disappointment and frustration, however, do not give rise to recognisable legal claims. Indeed, USAir has apparently, and quite conveniently, developed a 'case of corporate amnesia'."

The UK carrier's submission contests USAir's claim that BA had forced it to give up its flights to Britain when their alliance was formed. BA said USAir dropped the routes at the insistence of the US Justice Department.

BA dismissed USAir's contention that it had not told it about its discussion with American, saying it had done so "as the negotiations reached a conclusion".

BA and American plan to ask the US authority for anti-trust immunity for their alliance, which would allow them to co-ordinate their flights and share revenues from transatlantic services. BA and USAir's alliance does not have anti-trust immunity.

# Canada to fund Cuban airport growth

By Bernard Simon  
in Toronto and  
Pascal Fletcher in Havana

Canada has agreed to finance construction of a third terminal at Havana international airport using an export credit facility reserved for politically sensitive projects with dubious commercial prospects.

The decision to support the C\$35m (US\$25.5m) project reflects Ottawa's determination to expand commercial ties with Cuba, despite US sanctions.

The Canadian government tabled legislation earlier this week clearing the way for Canadian companies to act against US court claims under the Helms-Burton law. Helms-Burton imposes various sanctions against foreign companies "trafficking" in US property expropriated by the Cuban government.

Cuba's Civil Aviation Institute awarded the airport contract earlier this week to Ontario-based Intelcan Technologies.

Under the deal, Canada's Export Development Corporation will advance funds to the Cubans to buy Canadian products. However, the EDC said the funds would be disbursed from its "Canada account", which is controlled by the government



President Fidel Castro receives a book from Lucius Walker, American leader of Pastors for Peace, in a Havana ceremony to mark the donation of 400 computers to Cuba

ical, a Toronto-based pharmaceuticals group whose main business is on the island, said it was close to launching an international equity issue.

Cuba granted York licenses earlier this year to test and market human and veterinary medicines produced by the island's state-run biotechnology industry. The deal includes technology transfers, clinical trials in Canadian biotechnology centres, and training of Cubans to develop and market the products.

Mr David Allan, York's chief executive, said yesterday the company expected to raise C\$17.5m-C\$20m in Canada and the UK.

The equity issue is similar to a financing last year by Sherritt International, the Toronto-based group which is one of the biggest foreign investors in Cuba. Sherritt is among the chief targets of the Helms-Burton law. US authorities claim that Sherritt's stake in nickel mines and processing facilities in Cuba rightfully belongs to their former US owners.

It was in Canada's interest to support this deal. We think Cuba is a good long-term market."

In another development reflecting Canada's growing interests in Cuba, York Med-

# Rules for Internet wars may be settled in court

Bill Gates makes no secret of his ambition to wipe out rival Netscape Communications, the pioneer of Internet software. The Microsoft chairman and chief executive predicts his company will make Netscape's lead in the explosive Internet market "moot".

"Our business model works even if all Internet software is free. We are still selling operating systems. What does Netscape's business model look like if that happens? Not very good," Mr Gates, chairman and chief executive of the world's largest software company, told FT reporters in June.

Mr Gates' statement amounted to a threat to use "monopoly" profits from Microsoft Windows to eliminate competitors in the Internet software field, Netscape's lawyers contend.

This and other allegations of anticompetitive behaviour that Netscape has levelled against Microsoft have now drawn the attention of US antitrust regulators.

Microsoft disclosed, late on Thursday, that it was once again under investigation by the Justice Department, this time in connection with its tactics in the market for Internet "browsers" - programs used to navigate the Internet's World Wide Web.

Microsoft has been under government scrutiny for most of the past six years. In 1994 the company settled charges by signing a consent decree that modified its oper-

ating system licensing practices.

Another Justice Department investigation, focused on the company's activities in on-line information services, began in early 1995 but has been dormant for the past year. Last year Justice Department opposition also forced Microsoft to abandon a proposed \$2.1bn acquisition of Intuit, the leader in software for home banking and personal finance.

To Mr Gates, who relishes competition - especially when he is winning - the Justice Department's concerns about Microsoft's activities seem preposterous.

In Internet software, he points out, Microsoft is coming from behind. Netscape claims a more than 50 per cent share of the browser market. Microsoft is "competing intensely", he says.

"Microsoft is competing by enhancing the technology of our browser and consumers are responding. Now Netscape is seeking government aid to protect it from the competitive challenge that Microsoft poses to its leading position in Web browsers," adds Mr William Neukom, Microsoft general counsel.

"That is exactly the opposite of what the antitrust laws are all about."

Netscape charges, however, that Microsoft has used "strong arm" tactics including "clandestine side payments" and price discounts to induce PC manufacturers, Internet service providers

and others to favour Microsoft's browser over those of competitors.

Microsoft has strongly denied any wrongdoing. In particular, the company insists it has never offered PC manufacturers a price discount on Windows 95 in return for favouring Microsoft's Explorer over Netscape's competing browser, as Netscape has alleged. Netscape's "wild and irresponsible allegations" have "no basis in law or fact", Microsoft contends.

It will now, however, be up to Justice Department lawyers to determine whether Microsoft is a tough competitor or an unfair competitor. If they draw the latter conclusion, they may have to prove their case at trial.

The outcome of the latest probe of Microsoft could shape the future of one of the hottest markets in the computing. Web browsers are now being used by millions of PC users to access the Internet. Businesses are also adopting the programs for use on private corporate computer networks.

"The entire business world is moving toward the Internet, and the stakes are so high that Justice has no choice but to at least be looking at the Netscape-Microsoft battle," says Mr Tim Bajarin, president of Creative Strategies, an industry consulting group.

Louise Kehoe

# Odds rise against bomb on TWA jet

By Nancy Dunne in Washington

US investigators have intensified their probe of mechanical failure as the cause of the explosion of TWA Flight 800, with each day that passes without conclusive evidence that the aircraft was brought down by a bomb.

"The odds are stacking up against the possibility of a bomb, but we haven't ruled anything out," said Ms Shelly Hazle, spokesman for the National Traffic Safety Board.

The NTSB has painstakingly gathered about 80 per cent of the wreckage from the floor of the Atlantic. Investigators have only found tiny traces of two explosive chemicals in the wreckage which could point to a bomb blast.

The board has been peering the course of further investigation into possible mechanical failure and studying offers by corporations and private individuals of a working Boeing 747 to serve as a model. They want it flown to the huge hangar complex in Calverton, New York, where the Flight 800 debris is being assembled.

They would also like to obtain a 747 shell to blow it up under controlled conditions and then examine the centre fuel tank. It is been concluded that Flight 800 was brought down by an explosion in this tank, which could have been caused by a bomb, missile or mechanical failure.

The NTSB has not completely dismissed the possibility that the air-

craft was brought down by a missile as suggested by eyewitness reports. But many witnesses "have to be taken with a grain of salt," Ms Hazle said.

The Federal Bureau of Investigation is conducting a parallel probe on the assumption that the explosion was caused by a bomb. Investigators say a small strategically placed bomb could have blown the aircraft apart.

To determine if the explosion was a terrorist act, the FBI is seeking assistance from intelligence agencies around the world - particularly in the UK, France, Kuwait, Saudi Arabia, Jordan and Israel. It is also investigating the possibility of a non-political crime motivated by revenge or jealousy, insurance fraud or suicide.

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NEWS: UK

# Brussels vows to maintain beef ban

By Caroline Southey in Brussels and Maggie Urry in London

The European Commission yesterday vowed to maintain the ban on UK beef exports, reflecting widespread anger across the European Union at the British government's decision to abandon a selective cull aimed at eradicating mad cow disease.

EU anger was directed at Britain's repudiation of the terms of a deal struck by EU leaders in Florence in June

under which the UK undertook to cull more than 125,000 cows as a quid pro quo for a phased lifting of the ban.

On Thursday the British government agreed to drop the planned cull and discuss options for a smaller scheme with the Commission, possibly focusing on only 22,000 cattle. The UK government now admits its original aim of persuading the EU to lift the full beef ban cannot be met in the short-term. It now aims to concentrate on achieving the lifting of the ban for grass-fed "BSE-free" beef herds, primarily in Northern Ireland and Scotland.

The reactions to Thursday's decision suggested the UK's relationship with its EU partners had reached a new low. "There are a number of converging ingredients to suggest we are heading for a mega-row," an EU official said.

The Commission said it would stick to the Florence agreement while EU scientists studied the latest evidence on BSE, including predictions from Oxford scientists that the disease would die out by 2001.

Mr Franz Fischler, European Commissioner for agriculture, stressed Britain remain bound by its promise to cull the cattle as part of a step-by-step plan to have the ban lifted. Mr Klaus Kinkel, the German foreign minister, said Britain's "unilateral change" was "not acceptable". Mr Klaus Haensch, president of the European Parliament, said the UK "did not belong in the union" if it abandoned "internal solidarity" and did not "respect decisions taken together".

Mr Philippe Vasseur, the French agriculture minister, said France would press for tighter checks of British imports into the country.

The decision to put the selective cull on hold received a mixed reaction from farmers and the beef industry. Mr Richard Cracknell, managing director of Anglo-Beef Processors, which had been the UK's biggest beef exporter before the ban was imposed, said he was "surprised and appalled" by the government's move. The National Farmers Union of Scotland welcomed the move. Mr Sandy Mole, president, said the group would start work on a herd certification scheme so that when exports could resume there would be BSE-free cattle available. But in Northern Ireland the Ulster Farmers' Union was sceptical that farmers would soon be able to export meat.

# Bids invited for busy rail franchise

By Charles Batchelor in Manchester

The train-operating franchise for the 865km west coast main line between London and Glasgow, one of Britain's busiest long distance routes, is to be offered for sale early next month.

Bidders will be invited to make alternative offers depending on whether they envisage maintaining current service levels with train speeds of around 160km/h or whether they are willing to finance an upgrade to 200km/h, it emerged yesterday.

Bidders will be expected to offer to provide new trains with a 15-year franchise in return. Bids are expected from the present management team and at least two bus companies, Stagecoach and Prism.

The franchising of the west coast line has been complicated by the need to upgrade the track and signalling equipment which has deteriorated since the line was electrified in the late 1960s.

Railtrack, which owns the track, signalling and other infrastructure formerly run by the national state-owned network, is already committed to a £1.3bn (£2bn) improvement programme, Mr Brian Mellett, Railtrack engineering director, said.

But the financing of any radical increase in train speeds must be provided by the train-operating companies which use the line through track access payments.

The main franchisees will run long-distance inter-city services but a further 15 franchisees will use the line for shorter stretches.

There are no plans to upgrade the line to take 290km/h high-speed trains but improvements to track, signalling and the possible introduction of tilting trains would mean 200km/h was achievable. This would cut the London to Glasgow journey time from 5 hours 20 minutes to 4 hours.

A 200-strong team from Railtrack who have been working on the upgrading project have been assigned to help the franchising director, Mr Roger Salmon, for the next four months to prepare details of the franchise.

The west coast main line carries 2,000 trains a day and accounts for a sixth of the total UK passenger mileage and one-third of freight mileage.

The improvements could never have been justified on the basis of the local passenger services and freight

trains which also use the line. Completion of improvements will restore to use the only direct rail line around north London. The London Underground service provides cross-town links in the centre of the capital it has no outer orbital mainline rail connections.

There is potential for a broader role for the line. BAA, the airports group which operates Heathrow, this week unveiled proposals for a network of rail links with the airport.

The deterioration of the track and equipment has led to frequent delays to services and represents a threat to the vitality of the economies of the West Midlands, north-west England and south-west Scotland, local authority leaders said.

● The first rail modernisation project carried out by Railtrack since it was set up as an independent company in 1994 will be completed this month.

Upgrading of the North London Line will allow Eurostar services from Paris and Brussels to the north of England, due to start next year, to pass around London.

Trains will resume uninterrupted service on the North London Line, a 35km stretch linking Richmond with North Woolwich, on September 29. This follows the shutdown of a 11km section for nearly a year to allow for a £60m upgrade.

Overhead electric power lines have replaced the "third rail" power supply, sections of track have been replaced and stations have been spruced up.

The improvements could never have been justified on the basis of the local passenger services and freight



West coast main line rail route

# Big shops gain from new book pricing

By Alice Rawsthorn in London

Supermarket chains and other general retailers in the UK have won a bigger share of the book trade in the year since the net book agreement, which had enabled publishers to protect the prices of new books for over a century, collapsed.

"Everyone has learnt lessons," said Mr Tim Hely Hutchinson, chief executive of the Hodder Headline publishing group. "We've all had to become more subtle in our price management."

The chief target for price cutting has been bestsellers, now on sale in the multiples at 30 per cent discounts.

Optimists argued last year that the industry would be better off as booksellers could use price promotions to compete against other retail sectors. But most publishers and booksellers were terrified that discounting would impose intense pressure on their profits.

A year later some of those concerns have been realised as the multiple retailers, such as Woolworth and Asda, have claimed a substantial share of bestseller sales and a few small bookshops have closed. The trade has become "more difficult" according to Mr Tim Godfrey, chief executive of the Booksellers' Association, but "not catastrophically so".

Mr Godfrey said the BA has lost 119 members since last autumn, "significantly more" than in previous years, all independents that either closed or stopped selling books. However the BA also gained 74 new independent and 50 new branches of specialist chains.

However the multiples have ambitious plans. After increasing its book sales by 50 per cent to 3.7m in the past year, Asda is upping its orders for this Christmas, describing last year as a "shelf stacker's nightmare".

Mr Wood said the first step should be to merge the SFO with the fraud investigation group of the Crown Prosecution Service so that resources could be targeted properly on tackling fraud. He also believed the government should adopt the Hong Kong system of small fraud juries, introduce a simple fraud offence and undertake a review of legislation covered by the Financial Services Act.

# US 'modified' soya imports spark protest

By Leyla Boulton, Environment Correspondent

Imports of genetically modified soya from the US are sparking protests from both retailers and environmentalists across Europe.

The product - developed by US company Monsanto - is due to be harvested next month - initially accounting for 2 per cent of US soya crops. It is intended to be used as an ingredient in products ranging from protein soup to baked beans.

Environmental groups such as Greenpeace say genetically modified foods pose "unknown risks". It cited the way an early version of genetically modified soya had been found to cause an allergy to rats.

But the American Soybean Association, whose members account for most of Europe's soya imports, argues that the new soya can be grown

with less herbicide, thus generating an environmental benefit.

A leaflet distributed to customers at UK supermarket chain J. Sainsbury yesterday said the soya had been declared safe by regulatory authorities in the US, Europe and Canada.

But the company also admitted that it would not be able to tell customers which products contained the genetically modified soya. This follows US producers' and European governments' rejection of demands by European retailers and environmentalists that the modified imports should be labelled as such.

Sainsbury's said it believed customers should know what they were buying and advised that retailers were still lobbying to have the genetically modified crops segregated from the standard variety.

# Maxwell trial increases fraud prosecution doubts

By Robert Rice and John Mason in London

The Home Office confirmed yesterday that it was reviewing the role of juries in long and complex fraud trials as pressure mounted on the government to reform the system in the light of the Maxwell case.

Ministers have been looking at the issue since the end of the first Maxwell trial in January, but are said to be no nearer any conclusions about the merits of reform.

This is causing alarm at the Serious Fraud Office, which is now believed to accept the growing consensus that the present system is not working and that reform is desirable.

Mr George Staple, the SFO director, hinted that reform of the legal system was now urgent after the judge in the second Maxwell case ruled further prosecutions would be unfair. After the case against the Mr Kevin Maxwell, the son of Robert Maxwell - the disgraced media magnate who drowned off the Canaries almost five years ago - collapsed, Mr Staple said there were "serious implications for the prosecution of the largest and most complex criminal cases".

Inside the SFO, however, there is little consensus on the way forward. Some prosecutors are said to favour the drafting of a straightforward offence of fraud, which would make cases easier to present to juries.

Others believe juries should be replaced by a fraud trials tribunal, consisting of a judge assisted by two lay assessors, as first recommended by the Roskill Fraud Trials Inquiry in 1986.

But equally, some prosecutors are said to favour the Hong Kong system of smaller fraud juries of six or seven jurors who are required to reach a certain educational standard. This suggestion has been floated by Mr John Wood, the first

SFO director and former Hong Kong director of public prosecutions.

Mr Wood said he had been calling for a long time for the ban on jury research to be lifted but his pleas appeared to have been ignored.

Mr Wood also said that reform was overdue. "It's now time. However well or badly the SFO is performing, the perception is that it is not performing very well in the major cases. So we can't leave it alone or it will drift and the problem will get worse," he said.

Mr Wood said the first step should be to merge the SFO with the fraud investigation group of the Crown Prosecution Service so that resources could be targeted properly on tackling fraud. He also believed the government should adopt the Hong Kong system of small fraud juries, introduce a simple fraud offence and undertake a review of legislation covered by the Financial Services Act.

# Alternative market outpaced by soccer star

A mysterious Hong Kong-based trust has helped Chelsea Village's shares climb steadily

In spite of the newsworthy nature of its main asset, Chelsea Village has kept a remarkably low profile on the stock market following its debut earlier this year.

Since the company that owns London's Chelsea soccer club floated on the Alternative Investment Market - the exchange for smaller and newly floated companies - in April at 56p, its shares have almost doubled to 99 1/2p, outperforming that market's index by nearly 60 per cent. The mystery surrounding Chelsea Village is reflected in the lack of information on the company's

largest shareholder, a Hong Kong-based offshore trust called Rysaffe.

The identity of the trust's beneficiaries is unknown - much to the frustration of Mr Matthew Harding, the insurance broking millionaire and the company's second largest shareholder.

Dealers are eager to know more about Rysaffe because in recent months it has been steadily reducing its stake from 61 per cent to 39 per cent. However, this does not suggest it is losing confidence in the company.

Instead, the trust has been selling the shares at the instigation of Chelsea Vil-

lage and Robert Ellis & Partners, its stockbroker, under a strategy designed to prevent the share price climbing too high too fast.

Mr Ken Bates, Chelsea Village chairman, said: "At the time of the flotation we advised our stockbrokers it was important there was an orderly and liquid market in the shares. So we supply Ellis with shares if and when required. We were told if we hadn't supplied the market, the shares would have gone through the roof."

Mr Robert Ellis, head of the stockbroker, said the aim was to "satisfy demand without the shares run-

ning ahead of themselves".

Mr Bates said Rysaffe had been happy to sell part of its stake. This is not altogether surprising, given that it acquired some of its shares at a low price. In mid-August, for example, it was issued 3.3m shares at 60p, a hefty 34 per cent discount to the then share price.

Dealers said the strategy of regularly feeding the market small amounts of stock had helped steady the shares. Glasgow Celtic, the other big soccer club quoted on AIM, has seen its price rise almost threefold since April, a performance partly reflecting soccer stocks' pop-

ularity, but also a lack of liquidity.

Investors were queuing up to buy Chelsea Village shares primarily because they believed the company had good growth prospects, said Mr Julian Tillyman, head of AIM stocks at Winterflood Securities.

In the year to June 30 1996, the company made a pre-tax profit of £3.1m on turnover of £13.2m. Both figures are expected to show only modest underlying growth this year, making the company's £133.5m market value look extremely high.

Mr Palfreyman said the price rise had been driven by

the expected growth in revenues from the new television deal with BSkyB, merchandising, increased gate receipts and the hotel-leisure centre development alongside the stadium. "It's not the latest figures that count - it's people's perceptions of where the company goes from here," he said.

Sentiment in soccer stocks is, however, notoriously volatile. A poor performance from the team and any delays in the property development could throw a bucket of cold water on the stock.

Patrick Harverson

UK NEWS DIGEST

# Confidence of consumers rises

Consumer confidence has risen to its strongest level since 1988, adding weight to the growing view that households are now feeling the benefit of the present economic recovery.

The latest survey for the European Commission by GfK, the polling organisation, shows that growing optimism about the economy is driving the upturn in confidence, while consumers are also more confident about their household finances.

The news follows figures this week which showed retail sales growing at their fastest rate since 1988, raising fears that present rates of growth may be unsustainable and may be stoking inflationary pressures.

Mr Howard Davies, deputy governor of the Bank of England - the UK's central bank - said yesterday in Paris that gross domestic product was likely to grow by between 2.3 and 2.5 per cent this year - in line with the government's own forecast of 2.5 per cent growth. But Mr Davies cast doubt on the government's forecast for a budget deficit of 3 per cent of GDP next year.

● Families spent on average £289.50 (£452.24) each week during the last financial year (1995-96) and received an average weekly income of £390.90, according to the latest family expenditure survey published yesterday by the Office for National Statistics.

This compares with households' average weekly expenditure a year earlier of £283.60 and average gross weekly income of £369.90.

Graham Bowley

CHARITY REGULATION

# Iran Aid fundraising barred

The Charity Commission yesterday barred Iran Aid, a charity seeking to help Iranian refugees, from fundraising following a series of complaints about its collection methods.

The commission said that many collectors had used "intimidating and threatening" behaviour to procure donations, including showing photographs of dead people to potential donors and refusing to leave homes until a donation had been secured.

"Previous assurances from the charity that they will improve their methods have done little to reduce the number of complaints received," the Commission said in a statement announcing the suspension.

Mark Sussman

PENSIONS

# Discrimination inquiry launched

The Office of Fair Trading has launched an inquiry into whether the personal pensions industry discriminates against certain types of workers.

It will focus strongly on how the industry treats those who take career breaks whose pension funds can be eaten up by charges during a period when the law bars them from making contributions.

The OFT plans to publish its findings in the first half of next year.

The inquiry has been launched in response to 1m possible mis-sales of personal pensions since 1988. It has also been prompted by worries that consumers are failing to make sufficient private provision to make up for a decline in state provision.

Jonathan Guthrie

DRUGS

# Cocaine smugglers jailed

Seven members of a cocaine smuggling ring operating out of London and Brazil were yesterday sent to prison by a London judge for a total of 65 years.

"Because hard drugs have caused so much human misery and degradation and led to the physical and mental harm of those who take them, it is necessary for me to pass on each of you a lengthy custodial sentence," said Judge Hezlett Colgan.

The gang was said to have brought at least £1.8m (£2.8m) of the drug into the UK in two consignments and customs officers believe there may have been more. The plot unravelled when German customs sniffer dogs discovered a large quantity of cocaine hidden in two bags of two London-bound women passengers from Brazil at Frankfurt Airport. They were kept under surveillance when they flew into Heathrow Airport and followed as they took a taxi to south London.

PA News

LLOYD'S

# \$59m market capacity auctioned

The sixth auction of syndicate capacity at Lloyd's of London saw a total of £38m (£59.28m) of market capacity auctioned realising £1.15m. So far this year £1.267bn has been auctioned - representing 12 per cent of the 1996 market capacity and realising £27.2m in respect of 124 Lloyd's syndicates. The auctions are designed to allow fair access to syndicates, a chance for members to realise value from taking part in syndicates, and help agents raise capital.

Jim Kelly

POLITICS

# Green party to contest election

The Green party yesterday decided to contest the next general election in spite of gaining such a low vote the last time that it lost its compulsory £500 (£780) deposit in each of the 263 districts in which it ran candidates. Members decided at their annual conference to reject suggestions that they should concentrate more on campaigning against individual projects which they considered environmentally damaging.

The party had its best national result in the 1993 elections for the European parliament, in which it polled 15 per cent of the vote.

PA News

MARINE NAVIGATION

# Oil tanker route reviewed

The government has recommended that new approach routes be tested for oil tankers entering the Pembroke-shire port of Milford Haven, where the Sea Empress went aground last February.

A full government report on the incident, which resulted in the spillage of 70,000 tonnes of oil, is not expected until early next year. But an interim recommendation issued yesterday called for trials to test new approaches during different tidal conditions. A recent report said the grounding of the Sea Empress had cost the local economy at least £26m and 960 jobs.

Robert Corbin

It's not just stocks and shares that go up and down in The City.

Air UK now fly from London City Airport to Amsterdam and Edinburgh.

AirUK A MORE INTELLIGENT APPROACH.

مكتبة الامير

Enlarged group set to tap expanding space communications market

Hughes, PanAmSat in \$3bn pact

By Christopher Parkes in Los Angeles

Hughes Electronics and PanAmSat have reached a \$3bn pact to merge their satellite services operations into a new corporation to exploit the fast-growing space communications market.

Although the combination of Hughes' 10 satellites, which dominate the US market, and PanAmSat's four, which beam video, voice and data into 100 countries, had been expected, Wall Street marked the occasion with strong demand for both companies' stocks.

In Mexico, Grupo Televisa, the international Spanish-language television broadcasting group, celebrated a claimed \$440m cash gain on

its investment in PanAmSat.

The company, which sparked the merger with its April announcement that it wanted to sell its 40.5 per cent stake in the Connecticut-based company, said it expected to receive \$600m plus an 8.5 per cent stake in the new group, to be called PanAmSat Corporation.

Officials said it would use about \$225m of its gain - on an investment of \$160m - to buy back PanAmSat's options over stock in Televisa's direct-to-home broadcasting businesses in Spain and the Americas.

The deal marks a further coup for Hughes, a subsidiary of General Motors, which has emerged from the turmoil of recession and military spending cuts with a dominant position in the manufacture and opera-

tion of communications satellites.

Apart from its Galaxy network of satellites covering the whole of the US - due to be extended with the addition of three new vehicles by the end of next year - its DirectTV subsidiary is the country's leading provider of DTH broadcast services and has an estimated market value of at least \$5bn. Its satellite-building operations have a 60 per cent share of the world market.

PanAmSat has also contracted for four further launches over the next two years.

Under the terms of yesterday's deal, which may be delayed by up to a year by approvals procedures, including winning the support of the Federal Communications Commission, the new company's top execu-

tive will be Mr Frederick Landman, current president and chief executive of PanAmSat.

No redundancies are expected in the 500-strong combined workforce and industry observers predict strong growth in both the workforce and revenues, which totalled about \$900m last year.

Hughes will own 71.5 per cent of the new corporation immediately after the merger, and before it is floated off. According to details disclosed yesterday, PanAmSat's stockholders will receive an aggregate of \$1.5bn in cash and 28.5 per cent of the new group's shares.

They may opt for \$30 in cash, one share half or \$15 plus half a new share for every existing PanAmSat share.

Amer in struggle to find winning form

Falling demand has left the sports equipment group with a lot to do, writes Hugh Carnegie

Four months after taking over as chief executive of Amer, the struggling Finnish sporting goods group, Mr Roger Talermo could be forgiven for thinking his former profession as a freestyle skier was a less hair-raising job.

Amer owns leading brands such as Wilson tennis rackets and Atomic skis and is the world's second-largest sports equipment maker. Its list of sponsorship superstars includes basketball's Michael Jordan, the world number-one tennis player Pete Sampras and Staffi Graf, golf champion John Daly, and downhill-skiing ace Lasse Kjus.

But the company has been in turmoil for the past year as profits have turned into losses with all the alarming waywardness of a sliced drive into the rough. Mr Talermo, who was appointed in May, is scrambling to get the group back on target, and has begun an overhaul of the business. But he has been forced to warn twice that Amer will stay in the red this year after posting a \$111m (\$3.65m) loss in the first four months.

Not surprisingly, Mr Talermo is cautious about the future. "Some of the operations were in so much trouble you can't just clear them up overnight," he says. But he adds: "If everything goes well, our target is to reach break-even in 1997 and after that to come up to the standard industry margin of pre-tax profits of 10 per cent of sales."

Over the past year, that has seemed a distant hope. Amer was overwhelmed in

1995 by a worldwide trend of weakening demand for tennis equipment, the core business of Wilson Sporting Goods, which has a 40 per cent share of the global tennis racket market. Sales of Wilson's golfing equipment and Amer's other golf brand, MacGregor, also went into reverse.

Meanwhile, Amer had just acquired the Austrian winter sports group Atomic - at a time when worldwide annual sales of alpine skis were sliding, from a high of 6m pairs at the turn of the decade to just 4.5m. Demand continues to fall. Group turnover fell in 1995 from FM6.9bn to FM6.1bn. Wilson's operating profits crashed by 71 per cent to FM75m, driving operating profits from sporting goods down 67 per cent to FM51m.

As performance spiralled downwards, Amer dismissed in August last year the chief executive - Mr Seppo Aho - who had entrenched the strategy of focusing on sporting goods. But a permanent replacement was not appointed until Mr Talermo was promoted from Atomic to head the group.

The saga raised a question mark over the whole Amer enterprise. It is controlled by a group of obscure Finnish academic institutions which started the company to make American-style cigarettes for the Finnish market - hence the name. In the 1980s it launched an acquisition spree, buying up Wilson and MacGregor.

Sports equipment now accounts for 75 per cent of sales, but Amer has never got a grip on such a

consumer-oriented business, based thousands of miles away in Chicago. An unidentified potential buyer approached the controlling shareholders early this year, but the negotiations were broken off in March.

Mr Talermo is working on the assumption he will be given time by the owners to turn the business around. He has already shaken up the structure of the company, making himself chief executive of Wilson, and he is weighing the future of MacGregor, a heavy loss-maker which has an obvious clash with Wilson golf brand.

Wilson, divided into racket, golf and team sports sub-units, is the biggest of the three main divisions. The others are Atomic, producing "classic" sliding equipment, and Oxygen, an Atomic offshoot making snowboards and in-line skates.

Mr Talermo's strategy is for all divisions to produce premium brands aimed at "average" sports players. Professional stars are supplied with specialist equipment and used to promote the brands. But the bulk products are for the weekend tennis player, golfer or skier, or the school baseball team.

They are crafted to enhance performance - like the Wilson "Sledgehammer" tennis racket, designed to combine a bigger "sweet spot" with maximum power. "If we don't add something new to a person's game, then we should not enter a new product. That's fundamental," says Mr Talermo.



Pete Sampras using a racket made by Wilson, a division of Amer hit by a worldwide fall in sales of tennis equipment

He also aims to balance the product portfolio between winter and summer, and indoor and outdoor sports, in order to smooth out fluctuations in seasonal demand and the vagaries of fashion.

Mr Talermo says there have been signs of a turnaround in demand for tennis equipment. Amer is scrambling to take full advantage of booming demand for snowboards and in-line skating. But he is not expecting a sudden revival in Amer's core markets.

It looks as if it will be a long struggle for Amer to establish firm profitability. An outside takeover that shifts control of the sporting goods business closer to its operational heart in the US may yet prove its fate. Investors have signalled some confidence in Mr Talermo by driving the share price up above FM100 in recent weeks from the low in June of FM74. But there are still plenty of moguls for the former skier pro to negotiate before he reaches the finishing line.

DMGT bonds attract bonus

By Samer Iskandar

Holders of bonds issued by Daily Mail and General Trust will get three extra coupons, the company announced yesterday.

The DMGT bonds are exchangeable into ordinary shares of Reuters Holdings and the windfall aims to reflect the increased value of the exchange property following Reuters' recent decision to pay a special dividend to shareholders.

Holders of DMGT's 5% per cent exchangeable bonds due 2003 will get additional coupons of 3% per cent each in October 1997, 1998 and 1999. The price of the bonds rose by between 1% and 2% percentage points to about 158% after the announcement.

"Technically, we did not have to do it," said Mr Peter Williams, group finance director of DMGT. "We chose this way to make sure the special dividend attached to

the [Reuters] shares is passed on to the bondholders."

Reuters recently said it would return £518m to shareholders through the innovative creation of a special dividend share, which will pay regular dividends over a three-year period to the value of 75p a share. Every 20 existing shares are to be replaced by 19 ordinary shares and one special dividend share.

Reuters' offer, if approved by shareholders, would make it more attractive for DMGT bondholders to convert their bonds into shares, since the special dividend would be more generous than the fixed rate of interest payable on the bonds.

By adding the special coupons to the bonds, Mr Williams said the company was "hoping to persuade investors to hold on to the bonds", rather than converting them.

Australian life group to issue free shares

By Roger Taylor in London and Bruce Jacques in Sydney

About 270,000 UK policyholders with Australian life insurance company Colonial Mutual are set to receive later this year free shares worth on average more than £1,000 after the Supreme Court in Victoria yesterday gave the go-ahead for Colonial to take the next step towards converting into a listed company.

Colonial confirmed in May this year its plans to convert from a mutual life office, owned by its 890,000 policyholders in Australia, UK, New Zealand and Fiji into a listed company owned by shareholders.

If the plan is approved by policyholders, Colonial will distribute shares and options worth A\$1.3bn (US\$1.08bn) to its customers by December, representing over 90 per cent of the share capital of the

company. It then aims to float on the Australian and New Zealand stock markets by June 1997.

Mr Peter Smedley, the chief executive of Colonial, said the minimum distribution would be 225 shares and options for each policy, estimated to be worth £285. But 90 per cent of beneficiaries will receive further shares and options in proportion to the value of their policies.

A further 93,000 people in the UK with pension managed by Colonial Mutual will benefit from the conversion. But their pay-out is likely to go into their pension schemes rather than directly to them. The plan will effectively convert Colonial into a foreign-owned company.

This is because about 60 per cent of its beneficiaries live outside Australia, some 40 per cent of them in Britain. Mr Smedley said allocations were based on a valuation of A\$2.57 for each par-

cel of one share and one option, but the ultimate value depended on stock exchange conditions at the time of listing.

As well as distributing shares to customers, Colonial plans to use the listing to raise new capital. Mr Peter Smedley, said the group expected to effect the demutualisation by December.

Colonial proposed to raise an additional A\$350m through a convertible preference share issue and a further A\$200m with an options issue to members.

"While we don't need the capital as a mutual, by raising it at this time we are able to plan ahead for the business' future needs," he said. "After listing, we will be able to take advantage of our unique structure in Australia, our innovations in the UK, and the excellent opportunities we have in Asia."

Solvay to sell animal health businesses

By Neil Bucoidy in Brussels

Solvay, the Belgian pharmaceuticals group, is selling all its worldwide animal health businesses to American Home Products, the US healthcare products group, to concentrate on expanding its human pharmaceuticals business.

The Brussels-based group, which has operations in 44 countries, plans to complete the sale before the end of 1996, for a price of BF7.4bn (\$4.49bn). The sale will mark a complete withdrawal from

the animal health business, and should generate for Solvay a capital gain before tax of about BF6bn.

Solvay returned to profits in 1994 after extensive restructuring. Together with a DM1bn (\$960m) credit line renewed last month with a group of European banks, the animal health business will leave it with reserves of about \$1bn.

Baron Daniel Janssen, chief executive, said Solvay planned to acquire human pharmaceutical product lines or companies in the

US. "We are not looking, except if an extraordinary opportunity arises, for one mega-acquisition," the Solvay chief said.

"For the moment we are working on selective acquisitions in therapeutic areas where we are strong."

"We intend to strengthen our position through a global market presence and by building our product portfolio through discovery, development, and acquisition of pharmaceuticals," he added.

Solvay's health business

last year achieved sales of BF4.4bn, and earnings before interest and tax of BF3.9bn - 15 per cent of the group's total.

Baron Janssen said the group's share of the European pharmaceuticals market was more than 1 per cent last year, but it had only a 0.3 per cent market share in the US. He added that Solvay had already made some unannounced US buys this year and was continuing to examine opportunities.

Health care products is one of Solvay's five main

business areas. The animal health sale follows a series of moves to strengthen Solvay's other sectors of alkalis, peroxides, plastics and plastics processing.

Earlier this year it bought an alkalis business from Hoechst, while in May it bought Canlac Corpin, the Canadian lactinose manufacturer. In June it unveiled a \$170m investment plan for its soda ash plant in Wyoming, and has said it is interested in investing in the Polish and Bulgarian soda ash industries.

Lloyds TSB targets LAL minority holdings

By George Graham, Banking Correspondent

Sir Brian Pittman, who has become one of the dominant figures in UK banking since he took over as chief executive of Lloyds Bank 13 years ago, yesterday embarked on one more bid before stepping down from day-to-day management.

Sir Brian, who was named chief executive of the combined Lloyds TSB last year after Lloyds' merger with TSB Group, launched a 21.7bn (\$2.65bn) offer to minority shareholders in Lloyds Abbey Life, the life insurer in which Lloyds TSB owns 63 per cent.

Lloyds TSB was stamped by "heightened market speculation" yesterday into announcing its offer, which has been agreed in principle by Lloyds Abbey Life.

But details of how the bank plans to integrate LAL with its other life assurance operations will not be revealed until early next week.

The offer came as Lloyds TSB ended months of speculation about its future management structure by announcing that Sir Brian, now aged 65, would become chairman next February when Sir Robin Ibbis steps down at the age of 70.

Mr Peter Ellwood, who ran TSB and is now Sir Brian's deputy, will take over as chief executive.

Mr Alan Moore, Sir Brian's deputy at Lloyds Bank and another possible contender for the top job, will continue as group deputy chief executive until his retirement at the end of 1997.

Mr Ellwood is expected to keep Lloyds TSB on the same path as Sir Brian, who has transformed a small clearing bank with a spread of international and wholesale banking businesses into one of the dominant retailers of financial products in the UK high street.

When Lloyds took a controlling stake in Abbey Life in 1988, it was one of the first UK banks to move headlong into life assurance. Although Sir Brian has in the past dismissed any need to buy up the remaining 37 per cent of LAL, he is keen to boost what he believes to be the steady, low-risk income offered by life assurance.

Lloyds TSB will offer six of its own shares for every seven LAL, plus 300p in cash for every LAL share. That is equivalent to 625p at yesterday's Lloyds closing price of 379 1/2p, valuing LAL at \$4.4bn.

NEWS DIGEST

Loewen in buy with Blackstone

Loewen Group, the Vancouver-based funeral operator currently the target of a takeover bid, has joined forces with Blackstone Group, the US investment partnership, to buy Rose Hills, a Los Angeles-based funeral group whose assets include North America's biggest cemetery.

The US\$240m deal is structured in a way that initially gives Blackstone control of Rose Hills. But Loewen has the option to acquire Blackstone's interest after four years on undisclosed terms. Loewen will contribute its existing Los Angeles businesses to the joint venture in return for preferred shares.

Loewen's board is due to meet next week to consider a \$2.5bn all-share bid from Service Corporation International of Houston, the world's biggest funeral services group. It is expected to reject SCI's offer, valued at \$43 a share. Mr Ray Loewen, the company's founder and chief executive, holds 15 per cent of the stock. Loewen's shares have remained below the bid price, suggesting that arbitrageurs are not yet convinced that a deal will go through.

SCI and Loewen have both pursued an aggressive acquisition strategy, capturing about 15 per cent of the North American funerals market. However, Loewen's ability to finance large purchases has been weakened by a \$175m payment last year to settle a Mississippi court case. The Rose Hills acquisition is the second in which the Canadian company has drawn on Blackstone's resources to sustain its expansion drive. Earlier this year, the two paid \$520m for Prime Succession, the fourth-biggest US funerals operator. Loewen has spent \$715m so far this year on acquisitions, excluding the Rose Hills and Prime Succession deals.

Bernard Simon, Toronto Lex, Page 24

TIM in profit at midway

Telecom Italia Mobile, the Italian mobile phone operator, reported a pre-tax profit of L965bn (\$826.8m) for the first six months of 1996. TIM was demerged from Telecom Italia, the main domestic telephone operator, last summer and a majority of its shares is owned by Stet, the state-controlled telecoms holding company.

It has a sole competitor, Omnitel Pronto Italia, owned by a consortium of investors led by Olivetti, the information technology group.

The group did not provide pro-forma figures for the first half of 1996, before the demerger. In the five months to December 31 last year - which included only one month of direct competition with Omnitel in the digital phone sector - TIM reported a pre-tax profit of L645bn. TIM claims to be the fourth-largest operator of GSM-standard digital phones in Europe with just over 970,000 customers at mid-September.

Citicorp reviews strategy

Citicorp, the US banking group, yesterday revealed it was in the process of reviewing its strategy in futures intermediation, "specifically whether it requires its own execution and clearing capabilities". The review is a result of Citicorp's new capital markets focus which aims to re-direct resources to the group's core product strengths. Derivatives, foreign exchange, fixed income and emerging markets have been singled out as "main priorities for Citicorp in coming years", the bank said.

The review will affect Citifutures, the group's futures and options brokering arm, which employs some 150 people in five centres - London, New York, Chicago, Tokyo and Singapore - and operates on 17 derivatives exchanges. Its conclusions are likely to be announced by year-end.

Shrinking margins in recent years have reduced the contribution of futures broking to financial institutions' bottom line, favouring trading in the much more profitable over-the-counter derivatives, which are not listed on an exchange.

Banca di Roma in the black

Banca di Roma, one of Italy's largest banks, reported a consolidated group profit of L88.7bn (\$38.5m) for the first half of 1996, including for the full period Banca Nazionale dell'Agricoltura, control of which was acquired last year.

The bank said comparative figures for the 1995 first half were not available, because at the time it was not required to prepare consolidated interim results.

The parent company reported a 33 per cent increase in first-half profit to L70.8bn, against L53.1bn.

ROYAL & SUN ALLIANCE INSURANCE. NOTICE TO HOLDERS OF THE 7 1/4 PER CENT CONVERTIBLE SUBORDINATED BONDS 2007 (THE "BONDS") OF ROYAL INSURANCE HOLDINGS PLC. This notice is published in accordance with Conditions 6 and 17 of the terms and conditions (the "Conditions") of the Bonds. Terms defined in the Conditions bear the same meaning in this notice. On the scheme of arrangement of 22nd May, 1996 becoming effective on 19th July, 1996, the Royal Insurance Group merged with the Sun Alliance Group, the holding company of the merged group being known as Royal & Sun Alliance Insurance Group plc ("Royal & Sun Alliance"). Notice is hereby given that, in accordance with Condition 6(c) of the Bonds, Royal Insurance Holdings plc (the "Company") will, on 21st October, 1996 (the "Redemption Date"), redeem all of the Bonds outstanding at such date at their principal amount, together with interest accrued from 23rd June, 1996 to such Redemption Date. The Company confirms, for the purposes of Condition 4(c), that (i) Conversion Rights have been exercised and/or (ii) purchases of Bonds by the Company have been made in respect of 8% per cent or more in principal amount of the Bonds. Payment of principal and interest on the Bonds will be made subject to, and in accordance with, Condition 7 of the Bonds. In order to obtain such payment, Bondholders should present their Bonds (together with the related Coupons) at the specified office (as set out below) of any of the Paying Agents. Bondholders should note that interest will cease to accrue on the Bonds from the Redemption Date and that any Coupons relating to the Bonds which have not matured as at the Redemption Date will become void and no payment will be made in respect of them. Where any Bonds are presented for redemption without all related unexercised Coupons, Bonds will only be redeemed against the provision by the relevant Bondholder of such indemnity as the Company may require. Bondholders, or the Trustees on their behalf (pursuant to Condition 5(d)), will continue to be able to convert Bonds up to the close of business on 10th October, 1996 (or, in the case of such conversion by the Trustee, up to the close of business on 18th October, 1996). Following the amendment to the Company's articles of association, as notified to Bondholders on 22nd July, 1996, Bondholders (or the Trustee on their behalf) will, upon such conversion, receive shares in Royal & Sun Alliance (rather than shares in Royal Insurance Holdings plc). In accordance with Conditions (d) and (e) of the Bonds, accrued interest will not be paid in respect of such converted Bonds. PAYING AGENTS: Bankers Trust Company, 1 Appold Street, Broadgate, London, EC2A 2HE; Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland; Bankers Trust Luxembourg SA, 14 Boulevard FD Roosevelt, PO Box 67, L-2450 Luxembourg. 21st September 1996



COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Normal service resumed

Something like "normal service" was resumed on the London Metal Exchange...

LME Warehouse Stocks (As at Thursday's close) table with columns for metal, price, and change.

delivery dates the cash price subsided relative to the forward contracts...

When a backwardation appears it is usually a reflection of fundamental supply tightness...

WEEKLY PRICE CHANGES

Table showing weekly price changes for various commodities like Gold, Silver, Copper, etc.

WORLD BOND PRICES

MARKET REPORT

By Samer Iskander in London and Lisa Branson in New York

High-yield convergence was still on the agenda yesterday, as the 10-year yield spreads of Spanish and Italian bonds...

Outperformance by Spanish bonds was even more pronounced. While the December bond future managed to rise by 0.81 to close at 105.28...

BENCHMARK GOVERNMENT BONDS

Table of benchmark government bonds with columns for coupon, date, price, change, yield, and month ago.

UK

NOTIONAL UK GILT FUTURES (LIFE) £50,000 30ths of 100%

Table of UK GILT futures with columns for date, price, change, and high/low.

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

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Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES

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BASE METALS

LONDON METAL EXCHANGE

Table of London Metal Exchange prices for various metals like Aluminum, Lead, Zinc, Tin.

PRECIOUS METALS continued

Table of precious metals prices including Gold, Silver, Platinum, and Palladium.

ENERGY

Table of energy prices for Crude Oil, Heating Oil, and Natural Gas.

PRECIOUS METALS

LONDON BULLION MARKET

Table of London Bullion Market prices for Gold, Silver, and Platinum.

GRAINS AND OIL SEEDS

WHEAT LIFTS (C per tonne)

Table of wheat lift prices for various grades and origins.

SOFTS

COFFEE LIFTS (C per 50kg)

Table of coffee lift prices for various coffee types.

MEAT AND LIVESTOCK

LIVE CATTLE (C per 100kg)

Table of live cattle prices for various grades.

LONDON TRADED OPTIONS

ALUMINIUM (C per tonne)

Table of London traded options for Aluminum, Copper, and Zinc.

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INDEXES

REUTERS (Base: 100/100=100)

Table of various market indices including FT-100, Nikkei, and others.

UK GILTS PRICES

Table of UK GILT prices for various maturities.

FT ACTUARIES FIXED INTEREST INDICES

Table of FT Actuaries Fixed Interest Indices for various asset classes.

FT FIXED INTEREST INDICES

Table of FT Fixed Interest Indices for various bond categories.

UK GOVERNMENT BONDS

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Other Fixed Interest

Table of other fixed interest rates and yields.

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Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES

Table of Japanese government bond futures with columns for date, price, change, and high/low.

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COMMENT & ANALYSIS

**FINANCIAL TIMES**  
 Number One Southwark Bridge, London SE1 9HL  
 Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700  
 Saturday September 21 1996

# The fork in the Emu road

For some time now the governments and financial markets of continental Europe have been singing the same tune. Call it the single-currency rap. The top line has occasionally wavered, but the bass has been unchanging: monetary union, any day, monetary union, come what may.

A few weeks ago, it was just possible for UK politicians to dismiss this as empty Europop. But no longer. Sceptics can still debate the merits of the piece. But they can no longer doubt the will behind it. Whether they like it or not, UK politicians will have to spend a large chunk of the time between now and the 1997 general election debating how, and whether, the UK could ever bring itself to play along.

Many on the continent would deny that the odds on Emu have changed so dramatically. For them, that the strong possibility of Emu is only now dawning in Westminster is proof that the UK is always several years behind the rest of Europe on matters communautaire.

They have a point. In the years since the Maastricht treaty was signed, Germany, France and others have scarcely made a secret of their desire to fulfil the convergence criteria and move forward with Emu. But European finance ministers meeting in Dublin this weekend now have a much clearer - and more credible - road map showing how they will get from here to there.

It will be next spring, at the earliest, before anyone has a clear idea which countries are likely to qualify for the first wave of Emu entrants. If the continental European economies do not recover as sharply as hoped, this could leave many countries - including France and Germany - with public debt, or borrowing that is excessive by Maastricht standards.

## Less likely outcome

However, a string of recent budget announcements across Europe has made this outcome much less likely. Contrary to expectations, the German government managed to get its budget austerity programme through parliament more or less unscathed. With luck, this will reduce next year's budget deficit by more than 1 per cent of GDP.

By and large, economists have been more willing to believe in Chancellor Helmut Kohl's budget forecasts than those of the French government - if only because the German econ-

omy looks set to recover much earlier than its neighbour. Yet the draft 1997 budget, unveiled in Paris this week, showed that the French had no intention of leaving Emu at the mercy of a last-minute fudge on its behalf. Better, by far, to announce the fudge in advance of a nifty transfer from France Télécom to the government, equal to 0.5 per cent of GDP. Assuming - bravely, perhaps - that the economy behaves tolerably well, this ought to be enough to put the deficit very close to the 3 per cent of GDP Maastricht target by next year.

## Le quick fix

France was not the first country to resort to *le quick fix* - and it will not be the last. The signs are that the determination to achieve Emu will trump the concerns of the budget purists, and France's creative accounting will be allowed through. Yet as German officials well know, that will provide the northern core with very few arguments for rejecting southern upstarts keen to join the first wave. Having staked all on being among the founder members, the Spanish, Italian and Portuguese governments will not take a rejection lightly.

Some hopeful UK observers see all the fiscal hocus pocus as a sign of desperation. But in many ways, it reverses the trust governments now have in the confidence to fiddle the figures because they are equally confident that the final judgment will be made by politicians rather than economists.

The new spring in Emu's step will discomfit politicians of all parties at Westminster. But it is the Conservatives, already deeply divided, who face the real torture. John Major's government is paralysed by the increasingly bitter internal struggle within the Tory party over whether it should rule out sterling's participation in 1999.

A majority in the cabinet and on the backbenches probably favour that course. But as Mr Kenneth Clarke, the chancellor, and a clutch of Tory grandees reminded the sceptics this week, to do so would be to remove what is left of Britain's influence in shaping Emu. Each week that passes between now and the election will demand a clearer position, and the government will be forced to prevaricate.

To those across the Channel, its position will come to seem increasingly irrelevant.

# Bears' growls fail to frighten

As the world's stock markets reach new peaks, Philip Coggan examines the arguments over whether they can go higher

**R**ound numbers make a difference. Ask any cricketer who has been dismissed for just 99 runs. Only this week, Paul Molitor received rapturous acclaim as he became the 21st major-league baseball player to record 3,000 hits.

So when the FT-SE 100 index in the UK approaches 4,000 and the Dow Jones Industrial Average in the US edges towards 6,000, it is not surprising that the media start to pay more attention to the stock market.

But it can be easy to forget that reaching new peaks is the natural order of things for equity markets. Over the long term, profits rise with economic growth and inflation. The valuation that stockmarket investors place on those profits may vary from time to time, but the trend is remorselessly upwards. The Footsie has now risen nearly fourfold since it was launched in 1984.

The past few years have seen ideal conditions for the US stock market in particular. "Thinking back over 15 to 20 years, I am trying to remember when the underlying US economic picture was as good as it is now," says Mr Jonathan Francis, head of global strategy at Putnam Investment Management in Boston.

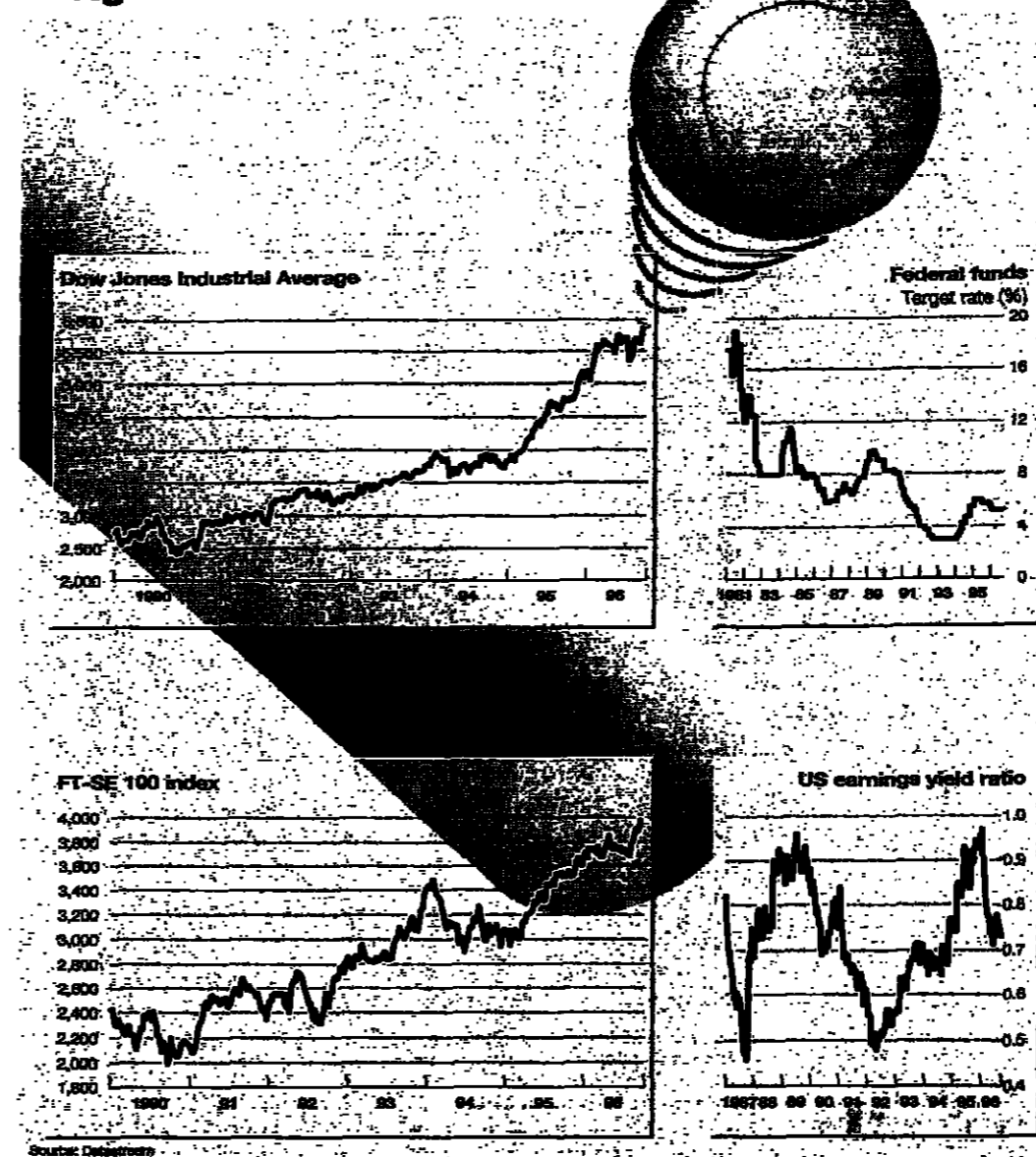
Inflation has been low, and occasional scares about price pressures, such as occurred in 1994, have come to naught. As a consequence, central banks and governments around the world have been able to allow interest rates to drop. In the US, the Federal funds rate averaged 9.4 per cent between the start of 1981 and the end of 1990. Since then, the rate has averaged just 4.5 per cent.

The US economy has been growing steadily since 1992 at rates of between 2 per cent and 4 per cent a year. All in all, the US has seen a "Goldilocks economy", in which growth has neither been too fast to cause inflationary pressures nor too slow to restrain profits, but "just right".

On top of that, the US corporate sector appears to have been able to cut its costs and become more efficient over the past 10 years. This is partly because of a shift towards greater flexibility in the labour market and partly because of the competitive edge given by the persistently weak US dollar. According to Goldman Sachs, the US investment bank, the operating profits of companies in the S&P Composite rose 15.6 per cent in 1995, 15.8 per cent in 1994 and 17.5 per cent in 1993.

The rest of the world has not seen such rosy conditions, with growth sluggish, particularly in Europe and Japan. Other markets have accordingly not kept pace. Since the start of 1991, the US stock market has risen by almost 109 per cent in dollar terms, while the FTSE 100 Actuaries World Ex. US index has gained just 43 per cent. But the general tide of low inflation and low interest rates has lifted all

## Big hitters: markets on a run



measure which compares stock market capitalisation to the net assets of companies at replacement cost. When Q is below 1, the market values companies at less than their assets and it is cheaper to buy a factory on the stock exchange than to build one.

Some have questioned the usefulness of the ratio, basing their objections on the way that land values are calculated. But even if land is excluded, the ratio is about 1.5 higher than at any time since the second world war. That ratio makes US shares look very expensive, as does the dividend yield on the S&P Composite, which, at about 2 per cent, is at a historic low.

Bulls believe that neither valuation measure is significant. The Q ratio can be dismissed, they say, because the modern service-based economy does not need the same level of tangible assets required in the manufacturing based era. Besides, says Mr Joe Rooney, global strategist at Lehman Brothers, "people should be willing to pay more for assets if those assets are genuinely more profitable".

**D**ividend yields are not as significant for two reasons. First, US companies are growing fast and are reinvesting the profits in their business. Second, companies are returning cash to shareholders through share buy-backs which are more tax-efficient than dividends.

Bulls also have ratios of their own which support their case. One popular valuation method in the US is to compare the earnings yield (company profits as a proportion of share prices) with the bond yield. A study by James Capel earlier this year found that this ratio had been one of the best predictors of US stockmarket movements.

At the moment, the ratio shows the US market around the middle of its 10-year range and well away from danger levels recorded just before the crash of 1987.

Longer-term factors may also be supporting the US market. Mr Hughes at BZW says: "We believe the bull market has many years to run, although that is not to say that you can't have a setback for a quarter or two." He cites demographic factors, particularly an increase in the numbers of those aged 45-54, traditionally the age group which saves the most.

An increase in savings relative to the demand for capital should alter the fundamentals of the market, especially in the light of lower inflation. "I don't feel the valuation rules that have applied for the last 25 years are necessarily appropriate," says Mr Hughes.

In other words, it really is different this time. Bears have heard all these arguments before but for the moment, they are growling in the wings.

boats and, as well as the US and UK, Frankfurt and Stockholm have recorded new market highs.

The key to further stockmarket gains, however, is the continuation of those favourable economic and monetary conditions. The US stock market stalled in the second quarter of the year as investors started to worry that the next move in US interest rates would be up.

Then, in July, world stock markets fell 4.3 per cent as investors became convinced that the US Federal Reserve would raise rates at its August 20 meeting. The yield on the benchmark 30-year Treasury bond moved up above 7 per cent.

But the mood abruptly switched as a series of economic statistics pointed to a slowdown. The Treasury bond rallied and so did equity markets. For much of this month, the markets have gyrated, as opinion about the outcome of next week's meeting of the Fed's open-market committee has switched between a half-per-

centage-point rise, a quarter-point increase or no move at all. Overall, however, the markets seem to believe that, even if the Fed does raise rates, it will not have to do so substantially. "The degree of interest rate concern is lower now than it was three months ago," says Mr Michael Hughes, global strategist for BZW, the investment bank.

In London, shares have also received a boost from a corporate-restless season which has been generally better than expected and which has seemed to confirm that economic growth is rebounding after a sluggish first half of the year. While that may restrict the chancellor's ability to make further rate cuts, especially given the public opposition of the governor of the Bank of England, few believe he will opt to increase rates with a general election due by May 1997.

European growth may have been sluggish, but markets are benefiting from interest-rate cuts - the Bundesbank reduced Ger-

many's key repurchase, or repo, rate by three-tenths of a percentage point in August - and from hopes of a recovery in 1997.

There are also some who hope that European companies are discovering "shareholder value". A sign of this would be a wave of cost-cutting and demergers similar to that which has swept through the Anglo-Saxon corporate sectors and which would increase profitability.

Such "castle in the air" arguments make some investors nervous. There are plenty of people who believe that the rally cannot last.

Notable among them is PDM, the fund management group which is a subsidiary of the Union Bank of Switzerland. It has lower-than-average equity holdings and higher cash, because it believes equity markets are overvalued. "This is arguably the most serious overvaluation of assets this century," PDM said this week.

Bears point to the Q ratio, a

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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### A lesson in focus many have yet to learn

**From Mr Julian Arkell.**  
 Sir, Tony Jackson argues that "the fashion for [managerial] focus has gone too far" saying that companies should "fix what is broken themselves; and they must extract value for their shareholders, instead of handing it to somebody else" ("A failure of managerial nerve", September 16).

Mr Jackson may have lost sight of the competitive advantage that the focus on core skills also confers on the suppliers of services. No one company can be specialist and innovator in the many "producer services" needed by manufacturers because up to 70 per cent of the added value of their products comes from services such as market research, engineering design and testing, training, marketing, advertising, legal and accountancy, logistics and transport maintenance, catering cleaning and security.

Service companies can develop strong brand names through providing cost-effective, innovative services, through

quality-controlled delivery. Their clients cannot create the conditions in-house to retain such a range of heterogeneous skills, to attract highly paid managers and invest in continuing improvement, nor reap possible economies of scale.

Instead they see the value of retaining a handful of specialists who develop close relations with selected strategic supplying partners, and keep them on their toes by demanding high standards and services from properly qualified staff experienced in their field. In-house, non-mainstream departments are akin to monopolists in a protected market, with no incentive to become more cost effective and innovative. This is a lesson yet to be learned by many large corporations in continental Europe.

Julian Arkell,  
 PO Box 41,  
 Muespita 2,  
 07712 San Clemente,  
 Menorca, Spain

### Landing-slots issue more important than cabotage

**From Mr John Dodson.**  
 Sir, Mr Robert Crandall, chairman of American Airlines, states: "There's no point in talking about it any more," when referring to the US government's position on cabotage agreements ("When less really means more", September 17). If this is so, then surely by the same token any concessions coming from the UK government for flights to third countries should be dealt with in the same manner.

Just because other European countries were unable to negotiate a good deal for themselves with Washington doesn't mean that London should

follow their lead. If the US wants access to third countries from Heathrow, then it has to be prepared to allow access to its own internal markets.

The real issue is surely one of opening up landing slots at Heathrow. This should not be too difficult to arrange. Washington and London should leave aside the issue of cabotage and onwards travel to third countries and do a deal based on access to Heathrow.

John Dodson,  
 17511 SW 53rd Ave,  
 Miami,  
 Florida, US

### Sweden to meet budget target

**From Mr Svante Oberg.**  
 Sir, I would like to point out that Sweden certainly intends to meet the 3 per cent budget target, contrary to what was stated in your article "Mad dash for the line" (September 20).

In the budget proposal presented yesterday, the public

finances were projected to show a deficit of 2.6 per cent of gross domestic product in 1997 and to be in balance in 1998.

Svante Oberg,  
 state secretary,  
 ministry of finance,  
 S-103 33 Stockholm, Sweden

### Research for Camelot not invalidated by being in commercial world

**From Mr Ray Stone.**  
 Sir, In his recent letter (September 12) Lord Haskel cited the work we undertook for Camelot, on employment creation as a result of the National Lottery, as an example of "contrived" research, and expressed surprise at The Henley Centre's acceptance of the brief.

Most research undertaken in the commercial world is limited

in its focus and to that extent it is "contrived". This does not invalidate the research, however, provided the parameters of the research are clearly stated. When the research is to be placed in the public domain, it is even more critical that such safeguards are put in place and this was the case with the Camelot research.


As an organisation whose reputation is built strongly on

the rigour of our research and our independence and objectivity, we would be unwilling to undertake work that compromised our standing in any way. It is for this reason that the Henley Centre retains full editorial control over any public presentation of work undertaken for a particular client.

While we would admit the jigsaw is still far from complete

in terms of understanding the full economic, commercial, cultural and social importance of the National Lottery, we feel the Camelot research provides an additional dimension.

Ray Stone,  
 head of leisure consultancy,  
 The Henley Centre,  
 9 Bridewell Place,  
 London EC4V 6AY, UK



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Bettys and Taylors of Harrogate	British Airways
Chewton Glen Hotel	Coutts & Co
DAKS Simpson	The Dorchester
The Drambuie Liqueur Company	Financial Times
William Grant & Sons	Henry Poole & Co.
Holland & Holland	Land Rover
Laphroaig	Penhaligon's
The Savoy Group of Hotels & Restaurants	Turnberry Hotel
Walkers Shortbread	British Tourist Authority
The Royal Oak Foundation for The National Trust	The Victoria & Albert Museum

To RSVP or to receive additional information on this event, please call Melissa Mendenhall at The British-American Chamber of Commerce on (212) 661 4060.

Ticket prices: BACC Members - \$50  
 Non-BACC Members - \$65

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مقالات الصل

## Man in the News • Ryutaro Hashimoto

# Combative master of style

William Dawkins on the appeal of Japan's tough-talking prime minister

**M**r Ryutaro Hashimoto's skills as a practitioner of the ancient Samurai sport of *kendo* - fencing with a two-handed bamboo staff - have been much in demand in the past few weeks.

This typically Japanese martial art requires physical agility and deft timing to catch an opponent off-guard and strike a designated weak spot - at the throat, forehead or arm. The right moment and unsettled opponents are exactly what Japan's prime minister has been looking for in picking a date for the country's next general election.

But he finally seems close to making up his mind. The cabinet yesterday ratified a decision by the three coalition leaders to recall parliament next Friday - to allow Mr Hashimoto to declare the date, which members of the conservative Liberal Democratic party expect to be in October.

At stake is the rehabilitation of the party, which governed Japan single-handedly for nearly four decades until 1993, a period of political stability that contributed to the country's formidable economic and industrial power.

The party was driven ignominiously into opposition at the last general election, in 1993, by an electorate fed up with political corruption and government by the obscure whim of its factional barons. Since then, Japan has been governed by

four wobbly coalitions, none of which has quite succeeded in building a new power structure to replace the old. In the latest, the LDP is the largest party in a fractious alliance with the centre-left Social Democratic and New Harbinger parties.

This turbulence overlapped with the longest phase of economic stagnation since the 1930s, causing many voters - and indeed Japan's foreign partners - to wonder whether it can ever regain the self-confidence and economic clout of the last decade.

If recent opinion polls are a guide to voting intentions, the LDP is in the ascendant. But the reason is not that it is popular, so much as that its potential allies and opponents have become self-destructively consumed by internal rivalries.

There are, however, risks in Mr Hashimoto's gamble. First, he would prefer to delay the election, but is being pushed to the polls by the rank-and-file which is impatient to capitalise on the party's popularity.

Second, despite the LDP's lead in the polls, it still commands only 30 per cent of

popular support - partly because of the recent row over the bail-out of bankrupt housing-loan companies. The undecided vote is more than half of the total, an unprecedented level which reflects the low esteem in which the Japanese hold the governing class.

To add to the uncertainty, the poll will be held under an untested new electoral system. This gives urban voters - who include a mass of disgruntled, over-regulated salaried and young people with uncertain job prospects - more of a say, at the expense of hitherto placid rural districts.

Given the parties' lack of appeal, personal image will count for a lot in winning votes. Is Mr Hashimoto the man for the job?

If not the most likeable, he is certainly the most memorable modern Japanese politician. A master of style and detail, he is known for his Elvis Presley hairstyle, snappy three-piece suits and two well-publicised love affairs - neither of which, endearingly, seem to have left any rancour. These characteristics make Mr Hashimoto stand out against rivals such as Mr Ichiro

Ozawa, the publicity-shy leader of the opposition New Frontier party.

And yet there is a suspicion that the mind is not as refreshing as the style. Mr Hashimoto has been criticised for the opposition for failing to sketch out the big picture of Japan's future.

His book *A Vision of Japan* illustrates the point. It is well-stocked with photographs of the author meeting other world leaders, but concludes blandly that Japan's future should be to seek a position of pride in a peaceful and prosperous world.

Much has been made of Mr Hashimoto's drive - yet this can also be a weakness when it expresses itself in outbursts of temper. In one famous incident, he nearly came to blows with a fellow politician who praised the decision to arrest the late Kakeki Tanaka on bribery charges. The former prime minister had been Mr Hashimoto's political godfather.

One aspect of Mr Hashimoto's personality which goes down well with the older generation, and with an expanding rightwing minority among the young,

is his nationalism. Last month he paid a highly symbolic visit to central Tokyo's Yasukuni shrine, where Japan's war dead - including some war criminals - are buried. He was the first prime minister to do so in just over a decade, incidentally a sign of the party's newfound confidence.

Mr Hashimoto's break with previous leaders' reluctance to assert national identity alarms Japan's Asian neighbours, but has broad appeal in Japan. When he was minister of international trade and industry last year, his tough stance in the dispute with the US over access to the Japanese car market also went down well with the electorate. Voters were cheered to see a Japanese politician playing tough on the international stage, at a time when their self-confidence was ebbing after a series of blows, such as the Kobe earthquake.

In fact, Mr Hashimoto was merely following the get-tough brief written by his bureaucrats, at least in the formal negotiations. But that, according to his critics, merely highlights his weaknesses: while a diligent

student of detail, such as the finer points of quality checks on imported cars, he is weak on overall strategy.

"He can tackle specific matters well, but he cannot draw a big picture to mobilise a large number of people," says Mr Minoru Morita, a leading political commentator. "Like many other Japanese politicians, he doesn't have any clear political philosophy or ideology."

If Mr Morita is right, this invites the question of whether Mr Hashimoto's attempt to strengthen the party's grip will bring any change to the way in which the world's second-largest economy is governed.

The signs are that a Hashimoto election success will at least bring faster moving and more decisive government. This will be welcomed by foreigners, who have complained that the classic problem of doing business in Japan - not knowing who is in charge - has got worse during the political upheavals of the past three years.

But it is not clear that a return to stable government under Mr Hashimoto will allow politicians to spend more time working on good policies and less in peddling influence. Optimists hope he will feel under enough pressure from the disgruntled or indifferent majority of voters to focus more on effective government and less on mere survival. For Japan, that much progress would be remarkable.



**H**istory has been kind to Jersey. Since the end of the German occupation of the second world war, its political and economic stability have made the tiny Channel island a leading offshore centre for international financial services groups.

Forty-five banks, with deposits of more than £90bn, are registered on Jersey, which is also home to investment funds worth nearly £25bn.

But the island has recently been shaken by a row over regulation of its financial services industry which has led to accusations that its government is not up to the task of regulating those who use it for business.

"Our problem is an old one," says a businessman who has spent 25 years in politics on the island. "If a scandal breaks in the City of London it is a case of one rotten apple. If it breaks here it is just the tip of the iceberg."

The trouble began late last year when two of the UK's Big Six accountancy firms, with combined fee income of nearly £1bn, said they were considering registering in St Helier, the island's capital. Price Waterhouse and Ernst & Young had chosen Jersey because its lawmakers were prepared to legalise limited liability partnerships that would protect partners' wealth from legal actions launched against their fellow partners.

But what looked like a perfectly innocuous measure soon ran into trouble. There was anger among members of the States, Jersey's parliament, that the legislation was taking precedence over social measures. A vociferous minority accused the Big Six of using the island to blackmail the UK government into action.

"There is an argument that says we have been used as a lever," says Mr Gary Matthews, a deputy in the States.

This led to allegations of conflicts of interest against Senator Reg Jeune, father of the house, for taking part in debates on the new law. He is also a consultant to Mourant du Feu & Jeune, a local law firm which helped Price Waterhouse make its approach to Jersey's legislators.

Mr Jeune, who is retiring at the next election, said his position with the law firm was hon-

## A storm in the haven

Jersey's role as an offshore financial centre is under attack, says Jim Kelly



orary - he had ceased to be an active partner 10 years earlier. But another senator, Stuart Syvret, said the incident "reeked of sleaze" - and was thrown out of the States when he refused to withdraw the allegation.

The man who is steering the legislation through the States is Senator Pierre Horsfall, chairman of the finance and economics committee. When the law comes up for its final reading on Tuesday, he hopes it will be passed but plans to call for an inquiry into the affair.

"We run this island as a partnership with the people who operate here," he says. "We only let the best in and there is nothing unusual in the industry feeding us ideas. We were offered their resources to produce a law we would want. They did not pay us any money - they were offering legal advice to our draftsmen."

Mr Horsfall believes the law will benefit Jersey's offshore financial industry by attracting more professional firms. "When people want to put their money offshore they go to their law-

yers and accountants," he says. But the chances of attracting more offshore business have not been helped by a simmering financial scandal. Dr Robert Young, a currency dealer, was arrested in the UK in August and taken to Jersey where he was charged with fraud in connection with foreign exchange losses of \$26.7m (£17.1m) between 1988 and 1993 allegedly suffered by 90 international clients of Swiss-based investment managers.

The losses have sparked several legal actions - including a civil action by some of the inter-traders against Cantrade Private Bank Switzerland, a subsidiary of Union Bank of Switzerland. The action alleges the bank had used Dr Young as an agent, had "shut its eyes" to the losses and had failed to warn its clients. Cantrade strongly denies the charges, saying Dr Young was self-employed and in total control of the trading and that it had no right to interfere.

A separate action has been launched against Jersey's finance and economics committee, seeking a judicial review of its decision in 1994 not to undertake an investigation into the affair. When the issue came before the committee, its chairman was Mr Horsfall - a former non-executive director of Cantrade. Mr Horsfall's past interest in the bank had been voluntarily disclosed but with hindsight he says he should have excused himself from the deliberations.

These developments have led some to conclude that Jersey's authorities are not up to the job of regulating the island's financial services industry. The overlap of commercial and political life, seen on the island as beneficial, has led to adverse comment.

Mr Horsfall can point to reforms in financial regulation already under way. For example, a Financial Services Commission will start regulating the industry in 1998.

But much is at stake for the island, which in 1993 got 82 per cent of its gross domestic product from banking and finance. Such income has helped keep Jersey's income tax at 20 per cent since 1949 and unemployment below 1 per cent. The risk that overseas confidence might falter has already led some critics in the States to moderate their attacks.

## Rocky state of independence

Bruce Clark and Laura Silber on the prospects for stability in Bosnia

**T**he prospects for creating a viable new state out of the ruins of the former Yugoslav republic of Bosnia and Herzegovina have hardly been improved by last Saturday's elections.

Of the three politicians elected to the republic's rotating presidency, two - Mr Momcilo Krajcinik, the Serb representative, and Mr Kresimir Zubak, for the Croats - come from political factions which have waged ruthless war to dismember Bosnia.

As for Mr Alija Izetbegovic, the Muslim leader who will be the collective presidency's first chairman, he is said by close advisers to be ready for a new war with the Serbs unless they accept freedom of movement on the territory they control. There is no sign that this demand will be fulfilled.

But if all goes to plan, these and other local difficulties will be set aside in a few days as the new Bosnia's leaders swear to respect the constitution of a revamped, multi-ethnic homeland. Even if they get that far, however, enormous international pressure will be required to ensure they keep their word.

The swearing-in ceremony will usher into existence a loosely structured but functioning state in which the central government will be responsible for citizenship, monetary policy, foreign policy and border security. The two halves of this state - a Muslim-Croat federation with 51 per cent of Bosnia's territory and a Serb republic with the rest - will enjoy wide autonomy. But in diplomatic jargon, the new Bosnia will have an undivided "international personality".

To believe such an ill-starred project will succeed requires an enormous leap of faith. But if Bosnia is allowed to dissolve into violence for a second time, a terrible precedent will have been established.

"Western credibility has been tarnished enough in Bosnia," says Mr Michael Williams, a Balkan expert at the International Institute for Strategic Studies in London. "If the Dayton accord collapses, we would be heading back to the abyss."



Party faithful: supporters of Alija Izetbegovic before the vote

US pressure was the main factor in ensuring the first part of Bosnia's complex electoral process went ahead on September 14. The Americans over-ruled complaints from Bosnia's Muslims that freedom of speech and movement, guaranteed by Dayton, were far from being established.

Washington's influence was also behind the decision to postpone until November the municipal elections. This could require a huge military effort to protect voters who insist on voting in home towns from which they were expelled.

And Mr Richard Holbrooke, the architect of the Dayton accord who returned to the Balkans to observe the poll, made a surprising prediction. The US envoy said Mr Izetbegovic - whose reelection he clearly regarded as certain - would normalise relations with Mr Slobodan Milosevic, the Serbian president and his erstwhile enemy, within the next few weeks.

It was a telling sign of the importance of US pressure in maintaining the peace process. Relentless pressure from Washington will be needed if full diplo-

matic relations are to be established between Belgrade and Sarajevo, which would isolate the Bosnian Serbs, and undermine their aim of secession from the new Bosnian state.

Within hours of the news that Mr Izetbegovic had won, he was mapping out the future with a group of western mediators, including Mr Carl Bildt, the Swedish politician who is overseeing the civilian aspects of the peace process. Mr Bildt, who coordinates the work of a gaggle of multinational organisations, has drawn up a package of constitutional and economic measures which need to be passed quickly by a new Bosnian parliament - on privatisation, citizenship, a new central bank and a currency board.

To appease ethnic pride, Mr Bildt suggests that Bosnia's new banknotes might carry different markings in different regions. But there are still fears the republic's legislature could be paralysed by quarrels over symbols. Most Serbs and Croats reject the fleur-de-lis, the flag under which the Bosnian army fought

the war, as a Moslem badge. Mr Bildt has to face the reality that on certain issues, he can simply be overruled by Washington. For example, he favoured bringing all three members of Bosnia's collective presidency to New York next week for the UN General Assembly - until he was firmly told by US officials that only Mr Izetbegovic would go.

Irritating as these quarrels may be, western policymakers recognise the need to preserve the appearance of unity when facing Balkan power-brokers who are adept at exploiting divisions. In the words of Mr Michael Steiner, the German diplomat who is deputy to Mr Bildt: "The international community must stay here with adequate muscle, and it must speak in one voice, which will counteract the separatist tendencies in Bosnia."

For western mediators like Mr Steiner, the best hope of integrating the Serb entity into a loosely united Bosnia lies in making its citizens feel they have something to gain from the multi-ethnic state - and everything to lose by seceding. The international community's most powerful weapon is its control of financial aid, which it has insisted will be funneled through pan-Bosnian institutions.

According to Mr Steiner, the hardline Serbs have to be told firmly that if they insist on abandoning Bosnia, "Republika Srpska will end up nowhere."

If economic aid is the world's most effective carrot, observers agree the biggest stick has been the presence of well-armed Nato peacekeepers. While critics have described their mandate as too limited, they have had a big psychological effect in persuading all sides to stick to the agreement.

Almost every western policymaker engaged in Balkan policy believes that some international military presence will be needed after next December, when Nato's mandate expires.

But whether the US - which holds Nato's peacekeeping effort together - is prepared to remain involved on the ground is still an open question. If it does not, the new Bosnian state may fare little better than its predecessor.

## Trombone player's influential legacy

Sir Brian Pitman's record as Lloyds' chief executive has been remarkable, says George Graham

**F**or 13 years, the fortunes, first of Lloyds Bank, and now of the Lloyds TSB group, have been so closely entwined with the personality of Sir Brian Pitman that it became almost unthinkable to contemplate what might happen when he handed over the helm.

Yesterday, Lloyds TSB signalled the beginning of the end of the Pitman era when it announced that Sir Brian's role as chief executive would pass next year to Mr Peter Ellwood, the former chief executive of TSB Group and now the combined group's deputy chief executive. Sir Brian, who turns 65 in December, will move up to the chairmanship.

Few people have left a deeper mark, not just on Lloyds, which has seen its market value rise from £1bn to more than £20bn under his command, but on the whole UK banking industry. "He has been the most influential UK banker of the last 20 years," says Mr Richard Coleman, banking analyst at Merrill Lynch, the stockbroker.

Sir Brian has served half a

lifetime with Lloyds, which he joined in 1983. But when he took over as chief executive in 1983, the bank looked very different. It was the smallest of the UK clearing banks, with a particular strength in the international banking department, especially in Latin America.

Today, Lloyds has been transformed by internal restructuring and a series of acquisitions into a retail financial services group, almost entirely focused on the UK domestic market. Its only significant international venture is a small bank in New Zealand.

Its most important business is now not sovereign debt but home mortgages. And Lloyds became one of the first banks to move wholeheartedly into life assurance when in 1988 it swapped its own £1.15bn life and unit-trust business for a US and continental controlling stake in Abbey Life. Eight years later, that

deal is to be completed, with Lloyds' £1.7bn bid, announced yesterday, for the minority stake in Lloyds Abbey Life.

In 1994, Lloyds triggered an upheaval in the UK mortgage market when it paid £1.8bn for the Cheltenham & Gloucester building society. It was in the society's mortgage accounts department, incidentally, that Sir Brian made his start at the age of 17.

Then, last year, Lloyds merged with the TSB in the first large combination of UK clearing banks for 30 years, creating what is today known as Lloyds TSB.

Perhaps as important as these completed deals have been the opportunities Sir Brian has spawned. These include fashionable acquisitions over which several of Lloyds' rivals have come to grief, such as retail banks in the US and continental Europe, London stockbro-



On the way up: Brian Pitman (left) and Peter Ellwood

kers during the deregulation of the 1980s or investment banks in the 1990s.

He is notorious for his aversion to investment banking, which Barclays and National Westminster have tried to turn into keystones of their operations. Competitors and employees have been left gasping by the ruthlessness with which he shut down or sold most of

Hill Samuel, the once-venerable merchant bank inherited last year with the TSB merger.

Looking back, Lloyds' path looks like a relentless march towards the huge purveyor of home loans. Life assurance and other retail financial products that it is today. But if Sir Brian and his chairman - first Sir Jeremy Morse, then Sir Robin Ibbes -

have been clear about their overall direction, there have been a number of detours along the way.

Sir Brian's first major acquisition target was Standard Chartered, the London-based international bank with a strong presence in the Pacific region. The £1.27bn offer was rejected; had it succeeded, Lloyds might look very different today.

Lloyds' £3.7bn bid for Midland Bank in 1992 also failed, although banking analysts again believe Sir Brian was ahead of his time in recognising the cost-savings that could be achieved from a merger with another bank.

With such a string of deals, both successful and unsuccessful, it is easy to lose sight of the internal transformation that has given Lloyds one of the lowest ratios of costs to income in the UK banking industry and produced some of the best returns to shareholders.

In 1989, Sir Brian achieved the dubious honour of reporting a loss of £715m, the largest ever by a UK clearing bank after taking a £1.75bn provision for Lloyds' sovereign debt exposure among developing countries. But Lloyds' profits have climbed from £591m in 1990 to £1.47bn last year, its workforce has fallen 25 per cent to 89,892 and its UK network by 16 per cent to 1,765 branches - though that has now leapt again as a result of the merger with TSB.

Competitors are still not entirely sure about the secret of Lloyds' success. They wonder how it manages to sell more insurance policies to its banking customers than they themselves do. Some hope that it will not continue to do so without Sir Brian.

That may be wishful thinking. Mr Ellwood, his successor, made Barclays' credit card business so prof-

itable that the bank stopped giving the figures separately. He had made some headway in improving the profitability of the TSB's retail banking business before last year's merger.

He may be a smaller and more reticent figure than the burly Sir Brian - he plays the violin, Sir Brian the trombone. But he is widely regarded as one of the ablest managers in UK financial services.

The biggest question may be how much freedom Mr Ellwood will have to run the group, where some of the managers are prone to making decisions less on their own judgment than on what they think Sir Brian might think.

It can safely be predicted that Sir Brian will not be the most non-executive of chairmen. If he continues until the age of 70, like his predecessor, Sir Robin Ibbes, he could still be guiding Lloyds well into the next century.

But Lloyds shareholders, who have seen their shares increase in price from 86p to £10.50 during his tenure as chief executive, are unlikely to complain about that.

CURRENCIES AND MONEY

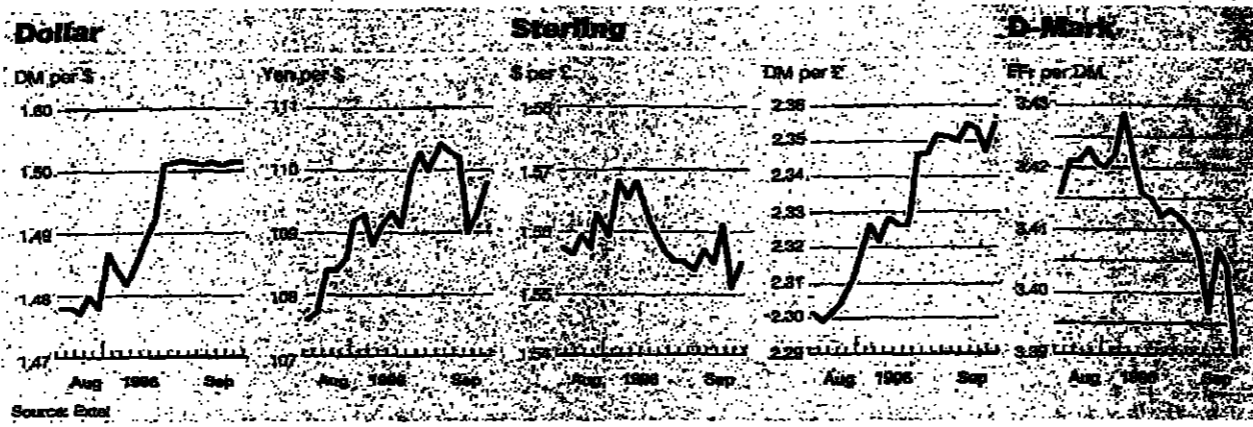
Franc fortified

MARKETS REPORT  
By Richard Adams

The French franc powered ahead against the D-Mark on currency markets yesterday, carried along by a tide of optimism on the prospects for the establishment of European monetary union. The franc bounced to its highest level for two months against the D-Mark. It finished at \$1.5551, from \$1.5508, against the D-Mark starting finished at DM2.3558, up from DM2.3480.

Table with columns: Sep 20, Closing mid-point, Change on day, Bid/offer spread, Day's Mid High Low, One month Rate, Three months Rate, One year Rate, JP Morgan Index.

The French franc's success in breaking away from the FFf3.41 level against the D-Mark means fewer worries at the European Union finance ministers meeting in Dublin today about the stability of European exchange rates required for the success of EMU.



FFf trades had been huge, perhaps three times higher than the normally much heavier business between the dollar and D-Mark. Option-related orders accelerated the franc's rally. Two large US investment houses were selling D-Mark call options, dealers said.

But the franc's strength could be undermined by a hostile public reaction to the budget. Mr Louis Vianet, head of France's CFT union, attacked the budget, but said he could not tell whether the public reaction would lead to unrest.

Analysts were also talking about reports suggesting there was pressure from the regional Federal Reserve member banks to raise rates. The reports quoted a "dove" at the central bank as saying a small increase "won't affect the economy" and could be easily undone if it proved to be a mistake.

WORLD INTEREST RATES

Table with columns: Money Rates, September 20, One month, Three months, Six months, One year, Lomb. Inter., Repo rate.

Table with columns: Euro Currency Interest Rates, Sep 20, Short term, 7 days notice, One month, Three months, Six months, One year.

Table with columns: Euro Currency Interest Rates, Sep 20, Short term, 7 days notice, One month, Three months, Six months, One year.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Sep 20, Closing mid-point, Change on day, Bid/offer spread, Day's Mid High Low, One month Rate, Three months Rate, One year Rate, JP Morgan Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Sep 20, Closing mid-point, Change on day, Bid/offer spread, Day's Mid High Low, One month Rate, Three months Rate, One year Rate, JP Morgan Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Sep 20, Closing mid-point, Change on day, Bid/offer spread, Day's Mid High Low, One month Rate, Three months Rate, One year Rate, JP Morgan Index.

CROSS RATES AND DERIVATIVES

Table with columns: Exchange Cross Rates, Sep 20, BFP, DKF, FFf, DEM, EC L, FI, NKR, Es, Ph, Sfr, Sfr, CS, S, Eco.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: Sep 20, Euro cent, Rate, Change on day, % +/-, % spread, Div.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: Sep 20, Euro cent, Rate, Change on day, % +/-, % spread, Div.

UK INTEREST RATES

Table with columns: London Money Rates, Sep 20, Over-night, 7 days notice, One month, Three months, Six months, One year.

THREE MONTH STERLING FUTURES (LIFE) £500,000 points of 100%

Table with columns: Dec, Mar, Jun, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO DOLLAR FUTURES (LIFE) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Settle, Change, High, Low, Est. vol, Open Int.

UK CLEARING BANK BASE LENDING RATES

Table with columns: Sep 20, Up to 1 month, 3-6 months, 6-9 months, 9-12 months.

THREE MONTH EURO DOLLAR FUTURES (LIFE) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Settle, Change, High, Low, Est. vol, Open Int.

BASE LENDING RATES

Table with columns: Bank Name, Rate, %.

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Polish Service Industries. The Financial Times plans to publish a Survey on Wednesday, October 30.

Market-Eye. Low cost 24 hour financial information. Reuters 1000.

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# UNIT TRUSTS

## WINNERS AND LOSERS

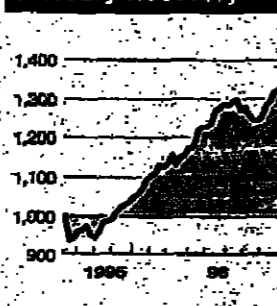
### TOP FIVE OVER 1 YEAR

NatWest UK Smaller Cos	1,421
Johnson Fry Slatery Growth	1,371
Jupiter European	1,371
Mercury Recovery	1,366
Baring Europe Select	1,349

### BOTTOM FIVE OVER 1 YEAR

GT Korean Securities	677
Save & Prosper Korea	703
Baring Korea	716
Old Mutual Thailand Acc	728
Schroder Seoul	734

### Mercury Recovery



### TOP FIVE OVER 3 YEARS

Proffico Technology	2,278
Hill Samuel US Smaller Cos	2,175
Frankington Health	2,065
Baring Europe Select	2,027
Gartmore American Emerging Gth	2,022

### BOTTOM FIVE OVER 3 YEARS

Saewa Japan	579
Govett Japan Growth	727
Fidelity Japan Smaller Cos	745
Edinburgh Dunedin Japan Growth	745
Barclays Uni Japan & Gen Inc	745

### Saewa Japan



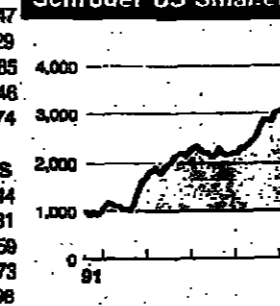
### TOP FIVE OVER 5 YEARS

Proffico Technology	4,247
Gartmore American Emerging Gth	3,929
Mercury Gold & General	3,865
Hill Samuel US Smaller Cos	3,546
Schroder US Smaller Cos Inc	3,374

### BOTTOM FIVE OVER 5 YEARS

Friends Prov Japanese Sm Cos	844
Barclays Uni Japan & Gen Inc	931
Govett Japan Growth	959
INVESTCO Japan Growth	973
M&G Japan & General Acc	986

### Schroder US Smaller



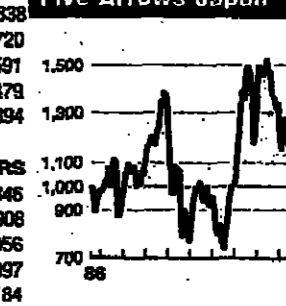
### TOP FIVE OVER 10 YEARS

Gartmore American Emerging Gth	6,538
Friends Prov Australian	6,720
HSBC Hong Kong Growth	6,591
Gartmore Hong Kong	6,479
Proffico Technology	6,394

### BOTTOM FIVE OVER 10 YEARS

Barclays Uni Japan & Gen Inc	646
Mercury Japan	906
M&G Japan & General Acc	956
CU PPT Japan Growth	1,057
Five Arrows Japan	1,184

### Five Arrows Japan



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: HSW (01625 511311)

## Indices

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Average Unit Trust	1054	1257	1746	2853	3.7	2.7
Average Investment Trust	1088	1297	1872	3206	3.9	4.9
Blacking Society	1086	1114	1240	1516	3.5	4.3
Stockmarket: FT All-Share	1034	1198	1629	2618	3.9	4.1
Inflation	1021	1054	1149	1500	3.5	3.5

## UK Growth

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Jupiter UK Growth	1214	1754	2484	4111	3.7	1.9
Credit Suisse Fellowship Inc	1196	1696	2311	3811	3.5	1.1
Johnson Fry Slatery Growth	1375	1647	2148	3511	3.9	0.8
Saewa UK Growth	1213	1677	2311	3811	3.7	1.5
Barclays Uni Japan & Gen Inc	1188	1573	2087	3308	3.5	0.7
SECTOR AVERAGE	1103	1336	1729	2678	3.5	1.9

## UK Growth & Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Credit Suisse Growth Part Inc	1107	1485	1946	3111	3.5	1.3
Proffico UK Blue Chip	1129	1450	1946	3111	3.5	2.9
Mercury UK Equity	1114	1450	1980	3088	3.4	2.4
Lazard UK Income & Growth	1094	1437	1811	3013	3.4	3.9
Cazenove UK Equity	1133	1432	1842	3011	3.4	3.0
SECTOR AVERAGE	1077	1283	1625	2635	3.5	2.9

## UK Smaller Companies

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Laurence Keen Smaller Cos	1319	1802	2511	4111	3.5	1.1
INVESTCO UK Smaller Companies	1246	1775	2388	3811	3.5	0.9
Hill Samuel UK Emerging Co's	1242	1734	2371	3711	3.5	0.7
Gartmore UK Smaller Companies	1212	1712	2354	3611	3.5	0.5
AES Smaller Companies	1250	1709	2313	3511	3.5	0.8
SECTOR AVERAGE	1122	1363	1885	2737	3.5	1.5

## UK Equity Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Jupiter Income	1173	1721	2337	3811	3.5	4.2
GT Income	1158	1508	2000	3713	3.4	4.0
Lazard UK Income	1117	1444	1858	3730	3.3	5.1
Britannia High Yield Inc	1148	1428	1873	3411	3.4	3.8
BWD UK Equity Income	1122	1427	1734	2436	3.5	3.9
SECTOR AVERAGE	1053	1237	1611	2552	3.4	4.8

## UK Equity & Bond Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Proffico Income	1095	1327	1732	2839	3.0	4.5
Baillie Gifford Conv & General	1022	1291	1636	2611	3.0	5.2
CU PPT High Yield	1132	1270	1673	2694	3.4	5.9
Edinburgh High Distribution	1068	1228	1405	2440	3.7	4.1
Cazenove UK Equity & Bond	1037	1225	1411	2311	3.6	6.2
SECTOR AVERAGE	1037	1149	1515	2418	3.5	5.7

## UK Eq & Bd

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
BWD Balanced Portfolio	1137	1499	1922	3111	3.8	1.4
Credit Suisse High Income Port	1087	1411	1922	3111	3.2	4.3
NPI UK Extra Income Inc	1087	1349	2046	3111	3.1	2.9
Perpetual High Income Inc	1080	1323	2002	3111	3.0	3.9
Baillie Gifford Managed	1082	1270	1851	3111	2.8	2.8
SECTOR AVERAGE	1057	1257	1682	2683	3.1	3.4

## Intl & Fixed Interest

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Abtrust Fixed Interest	1127	1208	2053	2853	2.4	6.2
Frankington Convertible	1091	1179	1994	2415	2.6	5.6
Britannia Gilt & Fixed Int Inc	1030	1159	1924	2411	1.7	6.5
Exor Zero Preference	1028	1151	1894	2411	1.7	6.5
Thornston Preference Inc	1029	1147	1718	2259	2.2	6.7
SECTOR AVERAGE	1027	1082	1415	2100	2.0	6.6

## International Equity Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Pembroke Equity Income	1108	1356	1747	2401	2.9	4.7
Merlin Currie Int'l Income	1065	1229	1688	2411	3.2	3.7
GEM Dolphin Int'l Gth & Income	1024	1216	1728	2149	3.1	3.2
GT International Income	1077	1210	1682	2737	2.7	3.0
M&G International Income	1038	1198	1614	2626	2.7	4.5
SECTOR AVERAGE	1043	1198	1748	2288	3.0	3.8

## International Fixed Interest

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Baring Global Bond	1078	1149	1638	2411	1.8	6.5
Barclays Uni European Bond Inc	1082	1124	1411	2111	1.3	6.8
Thornston Dresdner Europe Bond	1044	1122	1411	2111	1.6	5.7
Mercury Global Bond Acc	1013	1113	1568	2111	1.7	5.7
TSB International Income	1010	1106	1418	2111	1.8	4.7
SECTOR AVERAGE	1003	1042	1421	1703	1.9	5.4

## International Equity & Bond

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Newton Intrepid	1059	1419	1911	3111	3.1	1.7
Bank of Ireland Ex Mgd Growth	1079	1352	1870	3111	2.8	3.1
NPI Worldwide Income Inc	1106	1351	1822	3111	2.9	1.4
Gartmore PS Long Term Balance	1114	1345	1858	3111	3.0	3.1
Cazenove Portfolio	1074	1331	1757	3111	2.8	2.3
SECTOR AVERAGE	1049	1210	1619	2694	2.7	2.7

## International Growth

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Proffico Technology	1117	2278	4247	6394	5.9	5.9
Frankington Health	1287	2055	3828	5611	6.4	6.4
Scott Equitable Technology	1079	1849	3222	4857	4.0	0.8
HTR Global Technology	953	1646	2838	4497	5.5	5.5
Britannia Int'l Spec Opp's Acc	1134	1842	2902	4411	4.6	4.6
SECTOR AVERAGE	1045	1257	1733	2558	3.6	1.0

## Nth America

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Hill Samuel US Smaller Co's	1917	2118	3046	4611	5.4	5.4
Gartmore American Emerg Gth	1980	2017	3029	4638	5.2	5.2
Govett American Growth	1145	2013	3066	4680	5.3	5.3
PM North America Growth	1103	2011	3067	4611	4.5	4.5
Friends Prov American Sm Cos	1307	1893	2167	4059	5.2	5.2
SECTOR AVERAGE	1110	1480	2178	3088	3.6	0.7

## Europe

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Baring Europe Select	1949	2027	2220	2763	3.5	0.8
Jupiter European	1871	1905	2751	3111	3.5	0.6
Gartmore European Sel Opps	1444	1814	2319	2705	3.2	3.2
INVESTCO European Small Cos	1298	1813	2304	2701	3.5	3.5
Sun Alliance Value	1138	1776	2588	3111	4.0	1.2
SECTOR AVERAGE	1101	1429	1999	2442	3.2	1.0

## Japan

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Hill Samuel Japan Technology	953	1133	1480	2368	6.8	6.8
NatWest Japan Acc	1051	1033	1111	1311	5.9	5.9
GT Japan Growth	989	1023	1184	1688	3.6	3.6
Schroder Tokyo Inc	1011	1022	1155	1637	5.5	5.5
HTR Exempt Japan	1034	1019	1394	1316	5.7	5.7
SECTOR AVERAGE	977	877	1200	1607	5.6	0.1

## Far East inc Japan

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Schroder Far East Growth Inc	1000	1346	2188	3111	6.0	6.0
Abtrust Pacific	1022	1296	2283	4288	4.9	0.3
Govett Greater China	988	1288	2152	3271	5.8	0.2
Perpetual Far East Growth	1005	1243	2346	3852	5.0	0.8
Sun Life Far East Growth Acc	984	1227	1917	2811	5.8	5.8
SECTOR AVERAGE	984	1129	1611	2672	5.3	0.6

## Far East exc Japan

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
HSBC Hong Kong Growth	1192	1611	3384	6591	9.0	1.1
GT Orient Acc	1270	1488	2111	3111	7.8	0.2
Schroder Pacific Growth Inc	1079	1487	3084	4611	7.9	0.6
Hill Samuel Financial	1089	1428	2111	3111	8.0	1.2
Old Mutual Hong Kong	1078	1424	3037	4611	9.2	1.3
SECTOR AVERAGE	981	1275	2437	4653	7.2	0.7

## Commodity & Energy

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Save & Prosper Gold & Exp'n	1207	1937	2777	2448	9.8	9.8
Mercury Gold & General	1003	1355	2385	3111	8.4	0.3
Waverley Australasian Gold	998	1572	2916	4289	11.0	11.0
M&G Gold & General	1130	1548	2438	3192	8.3	8.3
M&G Commodity & General	1058	1541	1978	3179	5.4	0.3
SECTOR AVERAGE	1058	1485	2227	2587	6.9	0.9

## Best Peps

Trust	1 year (%)	3	5	10	Volatility	Yield
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Main table containing financial data for various unit trusts, including columns for fund names, managers, and performance metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS', 'PROPERTY UNIT TRUSTS', and 'INSURANCES'.

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Table listing insurance products from Mercury Life Assurance Co Ltd, including various life and health insurance policies.

Table listing insurance products from Old Mutual Life Assurance Co Ltd, including life and investment funds.

Table listing insurance products from Royal Liver Assurance - Co Ltd, including life and health insurance.

Table listing insurance products from Scottish Provident Institution - Co Ltd, including life and investment funds.

Table listing Money Market Bank Accounts and other financial services, including various bank accounts and investment options.

NOTES: General Contract rate of interest payable, net of account of the deduction of basic rate income tax. Net rate of interest payable after allowing for deduction of basic rate income tax. Gross rate of interest payable after allowing for deduction of basic rate income tax. Net rate of interest payable after allowing for deduction of basic rate income tax. Gross rate of interest payable after allowing for deduction of basic rate income tax.

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OFFSHORE AND OVERSEAS

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Bermuda (SIS RECOGNISED)

Table listing various fund managers and their products in Bermuda, including names like BNP Paribas and investment amounts.

Bermuda (REGULATED)\*\*

Table listing regulated fund managers and their products in Bermuda, including names like Citicorp and investment amounts.

GUERNSEY (REGULATED)\*\*

Table listing regulated fund managers and their products in Guernsey, including names like ANZ and investment amounts.

GUERNSEY (SIS RECOGNISED)

Large table listing various fund managers and their products in Guernsey, including names like ANZ, Citicorp, and investment amounts.

Table listing fund managers and their products in Ireland (SIS RECOGNISED), including names like ANZ and investment amounts.

IRELAND (SIS RECOGNISED)

Table listing regulated fund managers and their products in Ireland, including names like ANZ and investment amounts.

IRELAND (REGULATED)\*\*

Large table listing regulated fund managers and their products in Ireland, including names like ANZ, Citicorp, and investment amounts.

Table listing fund managers and their products in Jersey (REGULATED)\*\*

JERSEY (REGULATED)\*\*

Table listing regulated fund managers and their products in Jersey, including names like ANZ and investment amounts.

JERSEY (SIS RECOGNISED)

Large table listing various fund managers and their products in Jersey, including names like ANZ, Citicorp, and investment amounts.

Table listing fund managers and their products in Isle of Man (REGULATED)\*\*

ISLE OF MAN (REGULATED)\*\*

Table listing regulated fund managers and their products in Isle of Man, including names like ANZ and investment amounts.

ISLE OF MAN (SIS RECOGNISED)

Large table listing various fund managers and their products in Isle of Man, including names like ANZ, Citicorp, and investment amounts.

Table listing fund managers and their products in Jersey (REGULATED)\*\*

JERSEY (REGULATED)\*\*

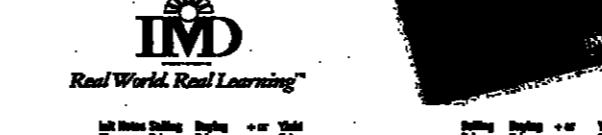
Table listing regulated fund managers and their products in Jersey, including names like ANZ and investment amounts.

JERSEY (SIS RECOGNISED)

Large table listing various fund managers and their products in Jersey, including names like ANZ, Citicorp, and investment amounts.

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Offshore Funds and Insurances

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Main table containing financial data for various funds and insurance products, including columns for fund names, prices, and performance metrics.

OFFSHORE INSURANCES

Table listing offshore insurance companies and their respective products, including details on policy types and terms.

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44) 171 673 4373 for more details.

Table of FT Managed Funds Service listing various fund categories such as Global Asset Management, FT Cityline Growth Holdings, and FT Cityline Special Share Fund. Includes columns for fund name, price, and other details.

Table of FT Managed Funds Service listing various fund categories such as Global Asset Management, FT Cityline Growth Holdings, and FT Cityline Special Share Fund. Includes columns for fund name, price, and other details.

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OTHER OFFSHORE FUNDS table listing various offshore fund categories and their details.

MANAGED FUNDS NOTES: This section provides detailed information and disclaimers regarding the managed funds, including performance metrics and risk factors.

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

NORTH AMERICA

Table listing stock prices for various North American companies including General Electric, Boeing, and Microsoft.

EUROPE

Table listing stock prices for various European companies including British Airways, British Petroleum, and British Telecom.

ASIA

Table listing stock prices for various Asian companies including Samsung, Hyundai, and LG Electronics.

AFRICA

Table listing stock prices for various African companies including Anglo American and De Beers.

AMERICAS

Table listing stock prices for various American companies including Coca-Cola, McDonald's, and Nike.

Advertisement for Rockwell Avionics with the headline 'In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency.' and the Rockwell logo.

INDICES

Table showing major stock indices such as the Dow Jones Industrial Average, S&P 500, and Nikkei 225.

US INDICES

Table showing US market indices including the Dow Jones, S&P 500, and NASDAQ.

AFRICA

Table showing African market indices and stock prices.

AMERICAS

Table showing American market indices and stock prices.

ASIA

Table showing Asian market indices and stock prices.

INDEX FUTURES

Table showing futures contracts for major indices like the Dow Jones and S&P 500.

COMMODITIES

Table showing commodity prices for metals, oil, and grains.

CURRENCY

Table showing exchange rates for various international currencies.

AGRICULTURE

Table showing prices for agricultural products like wheat and corn.

ENERGY

Table showing energy market prices including oil and natural gas.

Small print text at the bottom of the page providing publication details and legal disclaimers.



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WORLD STOCK MARKETS

Dow near peak, awaiting new data Tel Aviv bounces on support for bonds

AMERICAS

US shares were higher at midsession although there was no new economic data released to give WALL STREET guidance about whether the Federal Reserve's Open Market Committee would raise interest rates at Tuesday's meeting...

500 was holding a gain of 3.07 at 686.07, just past its all-time record, also set on Monday. The American Stock Exchange composite was 0.35 higher at 585.79.

187% in the wake of the announcement, after the market closed on Thursday, that the Justice Department had ordered another audit of the company, this time related to its Internet browser software, Internet Explorer...

TORONTO reversed early modest losses to push share prices back to the upside at the end of the morning session. At noon, the TSX-300 composite index was up 5.49 at 5,281.51.

higher by further gains in the benchmark Telebras stock and by midsession, the Bovespa index stood 642 up at 66,244. Telebras preferred rose 1.6 per cent.

Tel Aviv bounces on support for bonds

Ilene Prusher reports that buyers are returning

A series of disparate strands have combined to propel the Israeli market higher over recent weeks. The Middle East peace process could be down and this relieved some of the selling pressure on provident funds which had begun to look unattractive to investors...

very low valuations. Many traders say stocks simply looked "extremely cheap" in the wake of the battering after Mr Netanyahu formed his government.

This week, Mr David Brodet, director-general at the finance ministry, tendered a plan to do just that. The Brodet Committee suggested taxing short and mid-term savings accounts by 5 to 10 per cent, and offering tax breaks for savings plans for 10 years or more.

Frankfurt nudges up to record high

EUROPE

Active buying in the wake of derivatives' expiries and early gains on Wall Street nudged up the all-time closing high.

index closed at 3,079.46, down 2.87 on the day and off less than a point on the week. Canal Plus, the media group, was a strong market after a block of 328,000 shares went through.

strong performance from DSM. The AEX index closed 1.59 higher at 565.70. In chemicals, DSM added F12 to F1168 after an upbeat two-day presentation to Dutch analysts.

profit in the first eight months of the year was SF67m, against SF68m a year earlier. Surveillance, the quality control company, lost SF90 to SF2,840 after a 11 per cent rise in first half net profits failed to match some expectations.

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THE WEEK'S CHANGES

Table with 2 columns: Stock Name, % Change. Includes Milan (+0.6), Helsinki (+0.4), Frankfurt (+1.0), Paris (+0.6), Amsterdam (+0.6), Zurich (-0.6).

FT-SE Actuaries Share Indices

Table with 2 columns: Index Name, Value. Includes FT-SE 100 (1700.02), FT-SE 250 (1788.48), FT-SE 1000 (1788.48).

THE EUROPEAN SERIES

Table with 2 columns: Index Name, Value. Includes EURO STOXX 50 (1200.00), EURO STOXX 100 (1200.00).

ASIA PACIFIC

Weakness on Wall Street prompted selling ahead of the long weekend in TOKYO and the Nikkei average lost 1 per cent, writes Emiko Terazono.

Nikkei weak, Seoul drops 1.8%

ASIA PACIFIC

Weakness on Wall Street prompted selling ahead of the long weekend in TOKYO and the Nikkei average lost 1 per cent, writes Emiko Terazono.

issues remaining unchanged. In London, the ISE/Nikkei 50 index rose 2.02 to 1,428.51.

expectations, but were not strong enough to maintain interest in the stock. BEP closed down 5 cents at A\$16.04.

THE S&P 500 closed lower after dull numbers from research leader BEP. The All Ordinaries index ended off 6.3 at 2,940.8.

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FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

THE WEEK'S CHANGES

Table with 2 columns: Index Name, % Change. Includes Hong Kong (+2.4), Tokyo (+1.3), Taipei (+0.4), Bangkok (+0.2), Sydney (-0.5), Seoul (-3.3).

REGIONAL MARKETS

Table with 2 columns: Region, % Change. Includes Australia (0.6), Austria (0.2), Belgium (0.7), Brazil (0.7), Canada (1.7), Denmark (0.2), France (0.2), Germany (0.2), Hong Kong (0.2), Indonesia (0.2), Ireland (0.2), Italy (0.2), Japan (0.2), Malaysia (0.2), Mexico (0.2), Netherlands (0.2), New Zealand (0.2), Norway (0.2), Philippines (0.2), Singapore (0.2), South Africa (0.2), Spain (0.2), Sweden (0.2), Switzerland (0.2), Taiwan (0.2), Thailand (0.2), United Kingdom (0.2), USA (0.2).

FINANCIAL TIMES EQUITY INDICES

Table with 2 columns: Index Name, Value. Includes Ordinary Share 2940.8, P/E ratio 17.28, Dividend yield 4.00.

TRADITIONAL OPTIONS

Table with 2 columns: Option Name, Price. Includes First Dealings, Last Dealings.

LONDON RECENT ISSUES: EQUITIES

Table with 2 columns: Issue Name, Price. Includes 100 Amer Opps, 100 Amer Opps.

RIGHTS OFFERS

Table with 2 columns: Company Name, Price. Includes BHP, BHP.

FT GOLD MINES INDEX

Table with 2 columns: Index Name, Value. Includes Gold Mines Index, Gold Mines Index.

TRADEPOINT INVESTMENT EXCHANGE

Table with 2 columns: Index Name, Value. Includes Daily turnover for 20/09/1996, Volume: 95,000.

FINANCIAL TIMES EQUITY INDICES

Table with 2 columns: Index Name, Value. Includes Ordinary Share 2940.8, P/E ratio 17.28, Dividend yield 4.00.

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LONDON STOCK EXCHANGE - DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. The data is now delivered by Extel, part of Financial Times Information. Details relate to those securities not included in the FT Share Information Services. The prices are those at which the business was done in the 24 hours up to 5.15pm on Thursday, they are not in order of execution but in ascending order which denotes the day's highest and lowest trades. For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date. # Bargains at special prices. \* Bargains done the previous day.

British Funds, etc

Investment 10% 2000 - 21.1% %
Investment 10% 2000 - 21.1% %
Investment 10% 2000 - 21.1% %

Corporation and County Stocks

London City 0% 1998 - 85.1
London City 0% 1998 - 85.1

Foreign Stocks, Bonds etc (Coupons payable in London)

BMA PLC 5% 2000 - 11.1% %
BMA PLC 5% 2000 - 11.1% %

Debt Issuance Programmes

Investment 10% 2000 - 21.1% %
Investment 10% 2000 - 21.1% %

Stearing Issues by Overseas Borrowers

Investment 10% 2000 - 21.1% %
Investment 10% 2000 - 21.1% %

Listed Companies (excluding investment trusts)

British Petroleum PLC 5% 2000 - 11.1% %
British Petroleum PLC 5% 2000 - 11.1% %

Investment Trusts

Investment 10% 2000 - 21.1% %
Investment 10% 2000 - 21.1% %

Other

Investment 10% 2000 - 21.1% %
Investment 10% 2000 - 21.1% %

Base PLC 4% 1998 - 85.1
Base PLC 4% 1998 - 85.1

British Petroleum PLC 5% 2000 - 11.1% %
British Petroleum PLC 5% 2000 - 11.1% %

Investment 10% 2000 - 21.1% %
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The Financial Times plans to publish a Survey on

A to Z of Business Schools

For further information please contact: Karl Loynton on Tel: +44 (71) 873 4874 Fax: +44 (71) 873 3064. FT Surveys

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The Financial Times plans to publish a Survey on A to Z of Business Schools. For further information please contact: Karl Loynton on Tel: +44 (71) 873 4874 Fax: +44 (71) 873 3064. FT Surveys

LUCY BATIZOVSKY on 0171 873 3507 or KARL LOYNTON on 0171 873 4780

One Annual Report that will be on every boardroom table. The FT World Economy Survey. On Friday, September 27, the FT publishes a 36 page World Economy Survey to coincide with the IMF and World Bank meetings. It will analyse the condition of the world economy, explain the changes of the last year and assess the likely future effects of underlying economic forces. It will also have a special focus on G3 countries, developing countries and emerging markets. Shouldn't it be on your desk as well? Financial Times. World Business Newspaper

LONDON STOCK EXCHANGE

Share prices slide after expiry anti-climax

MARKET REPORT

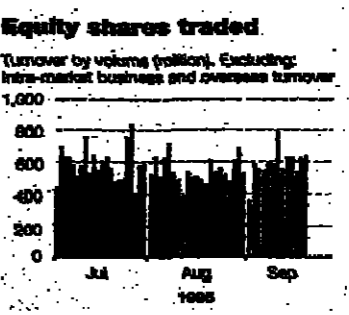
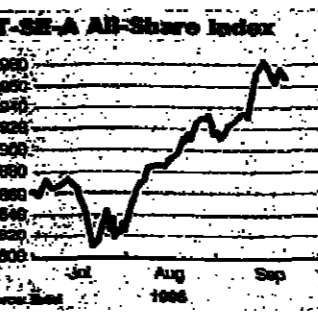
By Steve Thompson, UK Stock Market Editor. The UK market got within six points of the 4,000 level on the FT-SE 100 index yesterday before suddenly running off to steam.

at driving through 4,000 were centred on the expiry of the September FT-SE 100 and 250 futures and index options, which had been seen by dealers as providing the ideal background for a burst into new ground by UK stocks.

senior marketmaker at one of the European securities houses. He said at least two big global broking firms had attempted and failed to drive stock prices - and therefore the FT-SE 100 - sharply higher during the morning.

Apart from the hype associated with the expiries across derivatives markets, there was plenty to occupy the minds of equity strategists and fund managers.

Some dealers said US and UK stock markets have yet to factor in the chances of a rise in US rates, with one senior operator at one of the European houses taking the view that three-figure falls could be on the cards if the Fed moves to hit rates.



Indices and ratios table with columns for Index Name, Value, and Change.

FT-SE 100 Index table with columns for Index Name, Value, and Change.

TRADING VOLUME IN MAJOR STOCKS

Table listing trading volume in major stocks with columns for Stock Name, Vol. (M), and % Change.

EQUITY FUTURES AND OPTIONS TRADING

The mid-morning expiry of both the index options and futures contract was the main feature in the derivatives market yesterday, writes Joel Kibazo.

Table showing FT-SE 100 Index Futures (LFFE) and FT-SE 250 Index Futures (LFFE) with columns for Open, Settle, Change, High, Low, and Volume.

Sector switch lifts L&G

By Joel Kibazo, Peter John and Lisa Wood. Legal & General was the strongest performer in the FT-SE 100 yesterday as the all-time high yesterday as the roving eyes of the market's takeover prophets alighted on the stock.

Shares at 432p decided as one institution decided to take profits. The shares fell back to close 9 1/2 down at 432 1/2p.

A reiterated "buy" recommendation from ABN-Amro Hoare Govett, which has been arguing that restructuring of the company's European downstream operations could add \$1.1bn to earnings.

CHIEF PRICE CHANGES

Table listing price changes for various companies like London (Peace), BT, and others.

NEW 52 WEEK HIGHS AND LOWS

Table listing new 52 week highs and lows for various companies.

FT-SE-A INDICES - LEADERS & LAGGARDS

Table showing percentage changes since December 29 1995 for various FT-SE-A indices.

FT-SE Actuarial Share Indices

Table showing FT-SE Actuarial Share Indices with columns for Index Name, Value, and Change.

The UK Series

Table showing The UK Series with columns for Index Name, Value, and Change.

Hourly movements

Table showing hourly movements for FT-SE 100, FT-SE Mid 250, and FT-SE-A 350.

Hourly movements

Table showing hourly movements for FT-SE Actuarial 350 Industry baskets.

Hourly movements

Table showing hourly movements for FT-SE Actuarial 350 Industry baskets.

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Table showing hourly movements for FT-SE Actuarial 350 Industry baskets.

Greenalls jumps

Greenalls climbed 14% to 579p following a bullish trading statement, with the company's acquisition of Boots in France given a relatively warm welcome by the market.

Second, several dealers were floating the idea that National Westminster might be interested in making an offer for Legal. While there was no immediate rationale, NatWest is known to be keen to expand into the area and would probably not find L&G too large to swallow.

L&G jumped 18 to 774p and NatWest slipped 6 1/2 to 674 1/2p. Meanwhile, Lloyds Abbey Life rose 29 1/2 to 620 1/2p and Lloyds TSB dipped 1 1/2 to 378 1/2p.

Business services company Rentokil, which earlier this week touched an all time high, was a busy trade. Turnover of 17m, made it the second most actively traded stock of the day following a placing by SBC Warburg.

The broker placed 7.5m shares at 432p decided as one institution decided to take profits. The shares fell back to close 9 1/2 down at 432 1/2p.

A reiterated "buy" recommendation from ABN-Amro Hoare Govett, which has been arguing that restructuring of the company's European downstream operations could add \$1.1bn to earnings.

Zeneca fell 15 to 157 1/2p on profit-taking following Thursday's sharp rise on the back of speculation that Bayer of Germany was preparing a bid.

The market continued to show its delight at British Airways, which earlier this week announced cost saving plans. The shares appreciated another 5 to 546p.

A number of food retailers continued to take a pounding as the market pondered whether Tesco's new price initiative would unleash a new price war or whether it was a fairly routine autumn promotion.

J Sainsbury fell 6 to 369p, Safeway fell 4 1/2 to 322 1/2p and Asda eased to 303 1/2p. Tesco hardened one penny to 302p.

Boots' acquisition of Laboratoire Lutsia in France was given a relatively warm welcome by the market. Analysts said the acquisition was in line with Boots' strategy. Boots hardened 5 to 641 1/2p.

Thorn fell 9 1/2 to 370 1/2p with the market still nervous about US litigation. The collapse of talks this week over the disposal of its H Samuel and Ernest Jones chains resulted in Signet Group falling 2 1/2 to 22p.

Mirror Group added 9 1/2 to 222p on the back of a buy recommendation from Salomon Brothers.

Unilever added 3 1/2 to 139 1/2p, continuing its relentless rise, said to be driven by US buyers after bullish comment from some US analysts.

Geest rose 3 1/2 to 240p, following interim results earlier this week which were in line with forecasts and showed underlying profits growth. SGST reiterated its "buy" stance.

RMC recovered 18 1/2 to 1127 1/2p as the market digested its interim results. One analyst said while RMC had given a cautious steer on Germany, it had also talked about taking costs out. He said there were opportunities in the longer term for a company with quality management.

EPB rose 3 1/2 to 378 1/2p, being relatively unscathed by fears over Germany.

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LONDON SHARE SERVICE

HY TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their financial details, including names like 'The British Trust for Africa' and 'The British Trust for International Development'.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies such as 'The Rank Group' and 'The Whitbread Group'.

PAPER, PACKAGING & PRINTING - Cont.

Table listing companies in the paper, packaging, and printing industry, including 'The News Corporation' and 'The Associated Newspapers'.

RETAILERS, FOOD

Table listing retailers and food companies like 'Sainsbury's' and 'M&S Food'.

RETAILERS, GENERAL

Table listing general retailers such as 'Debenhams' and 'Next'.

TELECOMMUNICATIONS - Cont.

Table listing telecommunications companies like 'British Telecommunications' and 'Telecom Italia'.

TEXTILES & APPAREL

Table listing textile and apparel companies such as 'Next' and 'Debenhams'.

AMM - Cont.

Table listing various companies under the AMM category.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts like 'The British Trust for Africa'.

LIFE ASSURANCE

Table listing life assurance companies such as 'The Prudential'.

MEDIA

Table listing media companies like 'The News Corporation'.

PHARMACEUTICALS

Table listing pharmaceutical companies such as 'AstraZeneca'.

PROPERTY

Table listing property companies like 'The Landlord's Association'.

SUPPORT SERVICES

Table listing support service companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

AMERICANS

Table listing American companies.

INVESTMENT COMPANIES

Table listing investment companies like 'The British Trust for Africa'.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

OIL INTEGRATED

Table listing oil integrated companies.

PROPERTY - Cont.

Table listing property companies (continued).

SUPPORT SERVICES - Cont.

Table listing support service companies (continued).

AIM

Table listing companies on the AIM market.

WATER

Table listing water companies.

WATER

Table listing water companies (continued).

SOUTH AFRICANS

Table listing South African companies.

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# FINANCIAL TIMES

Weekend September 21/September 22 1996

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## Seoul wants UN to condemn North Korean 'infiltrators'

By John Burton in Seoul

South Korea yesterday said it would ask the United Nations Security Council to condemn the landing of "infiltrators" from a North Korean submarine, as US military officials in Seoul suggested the affair was the result of a military exercise that went "horribly wrong".

The US officials believe the submarine that went aground on the east coast of South Korea early on Wednesday was crewed by inexperienced submariners and full of recent graduates from North Korea's commando school on a "coastal terrain familiarisation" exercise.

Around the time of their graduation - which occurs every spring and autumn - the special warfare troops must infiltrate the heavily-patrolled demilitarised zone that separates

### US officials say landing was exercise that 'went wrong'

the two countries or briefly land on the South Korean coast to prove their skills.

"In this case, it appears that the commando exercise was combined with proficiency training for a submarine crew that turned out to be highly inexperienced," said one US official.

South Korean troops yesterday continued to search for the few survivors of the estimated 26 North Koreans who fled ashore after the submarine was beached. One North Korean has been captured and 18 others have been killed by pursuing South Korean troops or committed suicide.

There is little evidence that the North Koreans were engaged in a sabotage mission,

although their incursion into South Korean territory represents "a serious violation of the armistice agreement" that ended the 1950-53 Korean war.

The head of South Korea's intelligence service told parliament the incident was a prelude to "guerrilla warfare" by North Korea. But MPs from both the ruling and opposition parties appeared unconvinced and warned the government to be cautious in describing the incursion as a "provocative act" before all the facts have been gathered.

Mr Kim Young-sam, the South Korean president, indicated his government would adopt a tough stance against North Korea, which could include denying humanitarian

food aid to its starving population and banning big South Korean investments in the North.

South Korea said it was bringing the incident before the UN Security Council, of which it is currently a member, because the incursion "clearly threatened peace and stability on the Korean peninsula".

Seoul is also asking the US to issue a strong warning against North Korea to stop infiltration attempts. The US, which is seeking to develop diplomatic ties with North Korea, has been reserved in its initial response to the submarine incursion.

"We don't know what the motivation was for these people to come ashore. I think it's too early to jump to conclusions," said Mr Nicholas Burns, US State Department spokesman.

### THE LEX COLUMN

## Funeral rites

Takeover bids are rarely a matter of life or death, but Service Corporation International's audacious offer for its largest competitor, Loewen Group, comes close. A funeral company is like a utility, generating steady growth and a lot of cash. But funeral parlours offer substantial economies of scale. Therefore, in contrast with its sombre image, the funeral industry has become a dog-eat-dog world, where north American funeral companies vie for acquisitions - and get rewarded with healthy stock market ratings.

However, Loewen, which is the second largest, had to make a legal settlement last year which knocked its shares and therefore its ability to fund earnings enhancing deals. So SCI has moved in for the kill.

Loewen may find this a hard offer to refuse. Following the \$170m legal settlement, it is strapped for cash. It announced another acquisition yesterday, but the structure - Loewen is a joint buyer and makes deferred payments - demonstrates its difficulties. Besides, there is stiff competition for deals, and growth would become pedestrian without acquisitions. By comparison, SCI has already suggested it may raise its initial offer, which sparked a 30 per cent rise in Loewen's shares last week.

Loewen's chairman owns 15 per cent of the group and may try to fend off SCI. But if SCI fails, it can refocus its attention on its fast-growing European empire. Whereas if Loewen escapes this grim reaper, its shareholders will still be left with a long period of bereavement.

FT-SE Eurotrack 200: 1764.97 (+0.7)



carried in the balance sheet. No other deal in the sector has commanded a price anywhere near as high. Halifax paid a 24 per cent premium for Clerical Medical, and the premium in the recent Sun Life flotation was about 60 per cent. LAL's profits are also being flattened because many of its products are sold free from Lloyds' premises.

That said, the deal is clearly worth a lot to Lloyds TSB, as it will allow a proper merger of its respective financial services divisions. Combining Black Horse Financial Services and TSB Life, and their respective consumer credit and insurance companies, should bring substantial savings and allow development of a more integrated brand structure. Its shareholders must only wish the deal had been done a year ago when LAL was some 50 per cent cheaper.

### Lloyds TSB

Can there be life at Lloyds TSB after Sir Brian Pitman? There are few instances where a company's fortunes are so intimately tied up with one man. Most likely, very little will change when Sir Brian ascends next year to the chair after 18 years as chief executive. He is not a man burdened with distracting trophy directorships that normally accrue to banking grandees. A brutal focus on shareholder value has been the hallmark of his time at the helm, and so long as he remains in the bank, he is sure to keep a firm hand on the tiller. There is also no evidence that his successor, Mr Peter Ellwood, intends to rock the boat.

Much work remains to be done to extract all the promised benefits of the merger with TSB - a process which will be helped by yesterday's deal with Lloyds Abbey Life. It was fitting that it coincided with Sir Brian's elevation: the purchase of LAL in 1988 was a key step on the road to providing Lloyds with its domestic, retail focus that has proven so successful. In the mid-1990s Sir Brian retreated from the global stage, and largely eschewed low-return corporate and investment banking. His main rivals did not exhibit similar prescience.

If there is one wrinkle in this tale, it is that Lloyds TSB may become a victim of its own success. A future government hungry for revenue may look to the banks - and may feel returns on equity of the order of 31 per cent are too much of a good thing.

but delegate asset allocation elsewhere - or simply ask FDFM to adopt the consensus.

Of course, this runs against the traditional British habit of using a fund manager not only to decide on asset allocation but also to pick stocks across the world. But the logic of this "balanced" approach is underwhelming: no fund manager can be universally outstanding. True, the US alternative - where the job tends to be broken up and handed to a range of specialist firms - can be tricky to pull off because of the inherent difficulty of picking good fund managers; this probably explains why the evidence comparing the two philosophies is inconclusive. Even so, the British preference for balance probably owes more than is healthy to trustees' reluctance to take on the hassle of too many decisions. At the very least, the threat of more "divide and rule" would provide a useful means of keeping balanced managers on their toes.

### Fund management

The herculean task of Mr Tony Dye's doubts about raising equity markets is rather beside the point. Of course FDFM's chief investment officer may have made the wrong call; time will tell. But in the meantime, to criticise him for departing from the consensus is perverse. On the contrary, since clients presumably pay Mr Dye to try to beat the pack, independent thinking is precisely his job.

Nor, even if markets continue to rise, is there any reason why nervous clients should abandon FDFM. After all, the fuss has everything to do with asset allocation and nothing to do with stock selection. And FDFM has in practice tended to be better at the latter than the former. So the rational response for a risk-averse pension fund would be to leave stock selection with FDFM

### Lloyds Abbey Life

Minority shareholders in Lloyds Abbey Life would be well advised to accept yesterday's mixed share and cash offer by Lloyds TSB. Lloyds has offered a premium to what was in any case a very full share price, bid up in anticipation of this deal. The offer values the whole of LAL at about \$4.8bn (\$6.5bn). Of that, roughly £1.8bn can be attributed to the general insurance and finance house operations, according to analysts. This leaves the market's estimate of the life assurance business at around £2.6bn, a premium of 160 per cent to the embedded value of business already written that is

## Swedish budget criticised over lack of job measures

By Greg McIvor in Stockholm

Employers, trade unions and opposition parties yesterday attacked Sweden's Social Democratic government for failing to address the country's serious unemployment problem in its annual budget.

Mr Erik Asbrink, finance minister, stressed that the government had succeeded in stabilising public finances faster than expected, in spite of slack economic growth. He said Sweden would next year be on target to participate in a European single currency.

However, he said annual gross domestic product growth would need to exceed 3 per cent - outperforming baseline finance ministry forecasts - to meet repeated pledges by ministers to cut the unemployment rate to 4 per cent by 2000.

Presenting the 1997 budget, Mr Asbrink conceded that unemployment of 7.7 per cent this year was higher than forecast. But he insisted the 4 per cent goal would now be the government's top political priority, and was within reach.

In a rare display of consensus, Swedish industry joined

trade unions and opposition leaders in denouncing the lack of measures to tackle near-record unemployment.

Mr Per Olufsson, managing director of the Federation of Swedish Industries, said measures to stimulate growth and job creation were "conspicuous by their absence". The budget contained no attempt to encourage companies to employ more workers, he said.

Mr Asbrink warned any chance of achieving the 4 per cent unemployment rate would be threatened by excessive pay increases. Wages are expected to grow by 5.5 per cent this year and 4.5 per cent in 1997, well ahead of inflation - currently 0.3 per cent, the lowest in the European Union.

The budget confirmed SKr6bn (\$1.2bn) in structural savings announced earlier this year. It contained no new cuts on top of the government's four-year rolling programme to reduce spending by SKr126bn, or 8 per cent of GDP.

Financial markets reacted positively to Mr Asbrink's declaration that no further cuts were needed to bring Sweden inside the criteria for Euro-

pean monetary union next year, although Sweden has already signalled it is unlikely to be among the first countries to join the single currency.

Long-term interest rates dropped, with yields on the 10-year government bond easing 8 basis points to 7.61 per cent. The krona firmed initially against the D-mark and leading European currencies, but later slipped back to close slightly weaker on the day.

Mr Asbrink said the public finances had improved faster than expected due chiefly to higher tax revenues. The public sector deficit would be 4 per cent of GDP this year, falling to 2.6 per cent next year, well inside the 3 per cent target for EMU participation. He reaffirmed the government's intention to seek a permanent budget surplus from 1999.

Consolidated gross debt had stabilised already last year, the government said. It would fall to 64 per cent of GDP this year and to 70.6 per cent by 2000. Forecasts for economic growth were upgraded to 1.6 per cent this year, 2.3 per cent in 1997 and a peak of 2.6 per cent the year after.

## Barings bid to uncover mystery

Continued from Page 1

"customer" had been invented by Mr Leeson.

The weakness identified by Mr Kelly was that Barings failed to collect cash deposits from this "customer" to cover outstanding losses on futures and options. It was funding Mr Leeson's hidden trading itself.

The transcript of the conversation has been obtained by the Financial Times, and will be published next week in a book. It shows that Mr Kelly was concerned that other banks in Asia were about to stop dealing with Barings.

Mr Baker is contesting a ban proposed by the Securities and Futures Authority, the City of London regulator, for his role in Barings collapse. He has protested that he has been unfairly blamed, and his case is to be heard by an SFA tribunal shortly.

Mr Baker says he was not placed fully in charge of Mr Leeson until the start of 1995, six weeks before the collapse on February 23. He argues that this was too short a time for him to solve a longstanding deception.

## Kremlin turns to car sales

Continued from Page 1

the factory by throwing it the lifeline still craves for the Soviet-era managers who continue to run many of Russia's enterprises - a large and reliable government contract.

"For the factory, this is a question of life and death," said Mr Andrei Vavilov, deputy minister of finance. He

would not say how many cars the government planned to order or how much it would spend.

In lieu of cars, eligible bondholders can opt to receive 60 per cent of the Moskvich's list price (Rbs30m, or \$5,600) in cash and be compensated for the remaining 40 per cent with bonds to be redeemed over five years.

## Russian warning to Nato

Continued from Page 1

in Europe. Mr Primakov avoided any direct reference to a proposal by Mr Warren Christopher, US Secretary of State, for an enhanced Russia-Nato relationship, including a formal charter, as a way of soothing Moscow's objections to enlargement.

But the minister said it was

understood that Nato faced three main issues: internal reforms, a special relationship with Russia and enlargement.

Diplomats said that by hinting at a trade-off between enlargement and Russia-Nato relations, Mr Primakov was acknowledging that Moscow might be unable to stop expansion and should instead negotiate the best possible price.

**FT WEATHER GUIDE**

**Europe today**  
 Southern Scandinavia and northern sections of Germany and Benelux will be fine, due to high pressure in the Norwegian Sea. Ireland and Wales will be bright and sunny. England and Scotland will be cloudy with a few light showers along the east coast. There will be cloud and patchy rain along a front running from Belgium across the northern Balkans towards the Black Sea. Southern France will have heavy rain, which will reach north-west Italy later. Some showers will be accompanied by thunder.

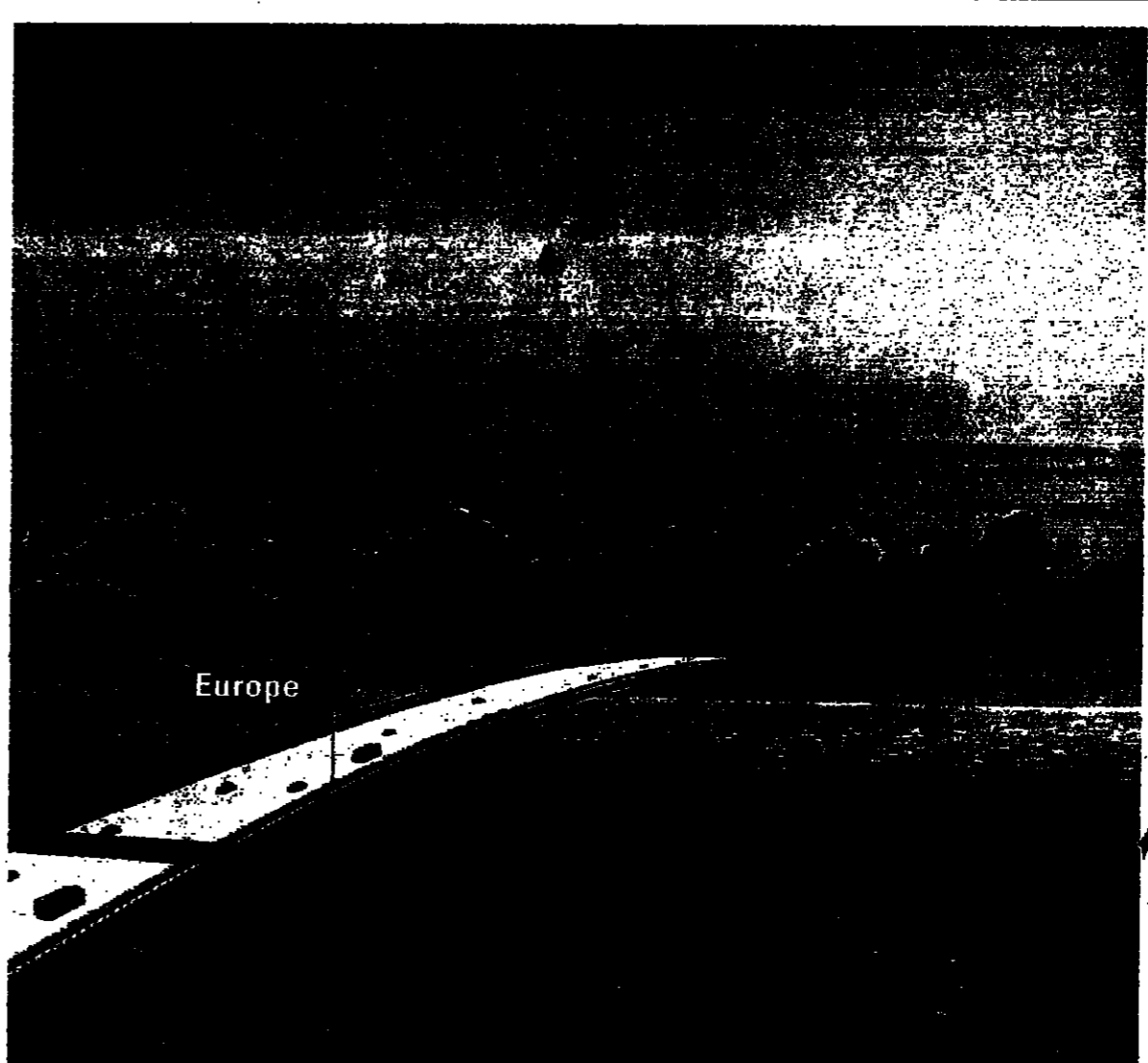
**Five-day forecast**  
 The southern side of the Alps and Italy will have heavy rain on Sunday and Monday. Italy's coastal areas will be very windy. The wind and rain will reach the Balkans on Tuesday.

**TODAY'S TEMPERATURES**

Maximum	Beijing	sun 24	Cairo	sun 24	London	sun 15	Madrid	sun 19	Rangoon	sun 31
Minimum	Calcutta	sun 25	Cardiff	sun 15	Paris	sun 16	Manila	sun 30	Seoul	sun 25
	Bombay	sun 28	Geneva	sun 16	Stockholm	sun 17	Singapore	sun 32	Sydney	sun 23
	Buenos Aires	sun 20	Hamburg	sun 15	Taipei	sun 27	Tokyo	sun 27	Wellington	sun 12
	Delhi	sun 27	Helsinki	sun 15	Washington	sun 18	Winnipeg	sun 12	Zurich	sun 14
	Dubai	sun 27	Hong Kong	sun 27						
	Dublin	sun 15	Honolulu	sun 21						
	Edinburgh	sun 15	Jakarta	sun 27						
	Frankfurt	sun 16	Jersey	sun 15						
	Glasgow	sun 15	Kuala Lumpur	sun 27						
	Harbin	sun 15	Las Vegas	sun 25						
	Heidelberg	sun 15	Lima	sun 20						
	Helsinki	sun 15	Lisbon	sun 18						
	Hong Kong	sun 27	London	sun 15						
	Honolulu	sun 21	Luxembourg	sun 15						
	Jakarta	sun 27	Lyon	sun 16						
	Jersey	sun 15	Madeira	sun 25						
	Kuala Lumpur	sun 27								
	Las Vegas	sun 25								
	Lima	sun 20								
	Lisbon	sun 18								
	London	sun 15								
	Luxembourg	sun 15								
	Lyon	sun 16								
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Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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# Weekend FT

## Pornography and art: we are the censors now

Christian Tyler finds a moral in the sado-masochistic work of the late New York photographer Robert Mapplethorpe

A photographic collection which ticks like a Geiger counter of public tolerance opened in London on Thursday. The works of Robert Mapplethorpe have been shown in a dozen countries since 1992 with only a scattering of complaints. Before that, in the US, there was uproar. A gallery director in Cincinnati was taken to court (and acquitted) and another in Washington caved in to threats that his museum would lose a public subsidy.

The latest exhibition, at the Hayward gallery in London, has partly succumbed to police advice by removing three items from the catalogue on the grounds that it had no control over their wider dissemination - on the Internet, for example - and one photograph was omitted from the exhibition itself.

The picture which caused all the trouble had nothing in common with the grotesque scenes of bondage and humiliation which dominate the largest exhibition of Mapplethorpe's work yet shown. The photograph was of a little girl of about three years old wearing a dress but no knickers.

Although the gallery defended its decision to remove "Rosie" by pleading lack of space and by declaring - without irony - that she was not a typical work, its final reason was clear, the social climate. In Britain, where an intellectual liberal elite had taken pride in a post-Mapplethorpe mentality of accepting all hung before it, no matter how vacuous the violence or exploitative the image, there are limits.

As represented by juries, the British public shows a remarkable tolerance of adult pornography. But it will not put up with people who muck about with children. What is more, the Mapplethorpe retrospective (he died in 1989 at the age of 42) has coincided with an uproar in Belgium, broadcast worldwide, about a murderer of young girls who has apparently enjoyed official protection. In England, the memory of the serial killer and torturer Frederick West is still fresh.

Current preoccupations with paedophilia and child abuse are so intense - even without the pre-emptive shriek from British TV presenter Esther Rantzen about the Mapplethorpe show - that teachers are anxious about taking pupils by the hand on walks. Parents take a risk when photographing their children naked, as another TV presenter, Julia

### Paintings of Lolitas by the artist Balthus are scrutinised for the taint of child pornography

Somerville, found when she was arrested and quizzed by police last year over snapshots of her child in the bath.

Among those vulnerable to this sensitivity are artists of far greater talent than Mapplethorpe, whose photographs, even by the standards of pornography, are hard core.

The modern realist Balthus, whose paintings of Lolitas who have crossed the borders of innocence, are under scrutiny for the taint of child pornography. Mounton Rothschild was recently obliged to withdraw 30,000 bottles of its 1993 vintage



from the US market because the label carried a Balthus drawing of a naked girl with a knowing look.

So long as there were taboos to be broken, western liberal intellectuals and exhibitionists could display their wares and be "daring". But Mapplethorpe is already regarded by the art Establishment as somewhat passé; he comes from that far-off place and time, the gay sub-

culture of New York in the 1970s. Mapplethorpe's contribution may turn out, however, to be more important than the pundits realise, marking the moment when the public, reconciled to the

fact that sexuality takes many forms but weary of the endless insult to human dignity, turned its back on the extreme violence of late 20th century art.

If the sexuality of children is to be altogether off limits, should we not worry about the gratuitous violence of Quentin Tarantino's films, the mindless brutality of pornographic videos and the ugliness of Mapplethorpe's fine photography? If, after all, there is a line to be drawn - in life as well as art - who is to draw it?

The portrait of the artist emerging from the Mapplethorpe selection is not of a clever studio photographer who took sex pictures on the side, but of an obsessive sado-masochist who happened to have an eye for composition, a knack with lights and camera (which did not extend to the dark-room - his printing was done by an assistant) and who also had a fondness for flowers and famous people.

An early sign of Mapplethorpe's rejection came from the critic Robert Hughes of Time magazine, enemy of

themselves he described as "a mixture of beautiful, trivial and comic".

His museum would like to stage a Balthus exhibition. "We would never be afraid of the consequences," he said. "If you are going to have a battle, have it about something interesting, so something valuable can come out of it."

The distinction between art and pornography has never been clear. Courbet, Picasso, even Degas, Turner and Titian produced erotic works which would have offended public morals in their day. But time and context remove the sting. We laugh at the innocence of priapic figures on Attic vases or the fertility symbols of primitive cultures.

Today the distinction has all but vanished. Words such as "taste" mean nothing in a world where the artist is self-referentially defined as anything which challenges our notions of what art is.

"This work is honest work by an artist of integrity, a complex artist," said Martin Caiger-Smith, organiser of the Hayward exhibition. "It is problematic, but this is part of the potency of the work." Could Mapplethorpe's work be called perverted? "By the standards of many people it might be. But some people think homosexuality is a perversion."

And that is the point. Social prohibitions - including legal controls - depend on current diagnoses. At one time homosexuality was thought to be the result of older men - corrupting youths, at other times a disease or a mental illness. In the same way, images of women which were once banned on grounds of decency (or "prudery" to use the modern term) are now banned because they show men exploiting women.

The fluctuating nature of the controversy is recognised in British law: there is a two-year time limit on prosecutions for obscenity, the only indictable crime with such provision.

Galleries and similar bodies enjoy special protection under the Obscene Publications Act, 1959: even if a published work is found obscene it can be defended on the ground that it advances the cause of science, literature, art or learning.

Prosecutions of art galleries are rare and the police do not usually investigate unless they get a complaint from the public. But, in 1990, the Court of Appeal upheld fines on an artist and the owner of a gallery near Waterloo Station in London for an exhibition with for the common law offence

Words such as 'taste' mean nothing in a world where the artist is sacred

ultra-conservatives and ultra-liberals alike. Hughes recounts in *Culture of Complaint* how he refused Mapplethorpe's invitation to write a catalogue introduction.

"I had to tell him that since the X portfolio was obviously a key to his work and... his main claim to originality, and since I found the images of sexual humiliation and torture in it... too disgusting to write about with enthusiasm, he had better find someone else. Which he did."

If pictures like these were on open display in London's Soho, still a bit sleazier than the New York variant, the joint would be closed down. If these scenes had involved women, however complaisant, or - perhaps even worse - animals, not even the gallery's status as a temple of culture would have protected it from the mob.

Indeed, the last time the Hayward took precautions before an exhibition was with an "installation" which required a live parrot to sit on a perch. (The parrot stayed.)

David Elliott, director of the Museum of Modern Art in Oxford, half-jokingly described the Hayward's precautions as "asking a copper what to hang on your walls". Having put on his own Mapplethorpe show in 1993 he regards the event as somewhat old hat; the pictures

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There is no international art guide this week. It will return next week.

With today's Weekend FT Residential Property - a 12-page supplement

Continued on Page II



Joe Rogaly

## Sultans of dollars and sense

What can we do about the growth in the numbers of the super-rich? Anything?

Before Marxism died we knew what to do about the super-rich. We could express envy, without shame. We could hit the fortunate few with high taxes. Better still, we could chop off their heads and steal their money. None of that would be acceptable now. Yet there are enough billionaires, measured in dollars, to form a tribe, the Billi. This is more accurate than Wa-Bandi, the east African name given to top persons riding in new Mercedes.

The money-mountain upon which the Billi sit seem to grow of their own accord. Interest on some of their holdings is accumulating faster than you can read this article. The ghost of Croesus must be wondering why the last king of Lydia had the rotten luck to be born 2,500 years too soon.

We can only respectably theory on which to base any other response. Some economists argue that the opportunity to accumulate wealth is a necessary function of capitalism. If entrepreneurs

do not perceive a chance of raking in a jackpot, they will not risk going bankrupt. Others say that nothing trickles down, that the emergence of the Billi is a mere by-product of unregulated private enterprise let loose in free global markets, praise be to Mammon.

Either way, there is no eludication to be had from economics. We must ask the Sultan of Brunei, or the Sultan of Microsoft, to fund a chair of Billi studies, situated in the sociology department of an Ivy League college. There could be an associate chair to concentrate on millionaires, the Milli. Although the more numerous clan, it is only one-thousandth as fascinating as the more exclusive one.

Our well-funded professors could start with a database. They should be wary of the Human Development Report published by the United Nations in July. In case you were on holiday, the UN told us that the total wealth of the 368 billionaires it knew of equalled the combined income of the poorest

45 per cent of the planet's population. Comparing wealth with income is doubtful methodology even for sociologists.

Next stop would be Forbes magazine, which told us a few issues ago that the planet is host to 447 billionaires. This is a leap forward from the 274 noted in 1991. "Inherited" still accounts for some of them, but many appear to have been wealth-creators, and not just for themselves. What I want to hear from our fabled William Gates professor of Billi is, will there be 1,000 in the Billi 10 years from now? How will they protect themselves, and where are they privately owned jumbo jets?

The answer is likely to be that most members of this tribe are diligent, ambitious and lucky. Dull workaholics, nearly all. Britain's David Sainsbury is an earnest Billi. I owe him a cup of coffee, in return for one he bought me at a party convention. He seems to be motivated by two ambitions. The first is to beat the hell out of Tesco, a rival to his

supermarket chain. The second is to do some good.

You see? Billi can be charitable. Some, as in Brunel, spend their money flamboyantly. A few - Silvio Berlusconi, Malcolm Forbes, James Goldsmith, Ros Perot - try to buy their way into politics. They usually fail.

Most members of this tribe are diligent, ambitious and lucky

What beats me is why they make the effort.

Meanwhile their poor relations, the Milli, are becoming as common as muck. Takes this week's report from Britain's Incomes Data Services (London telephone 0171-250 9494). It tells us that the average highest-paid director of an FTSE 100 company received £284,671 in total emoluments in 1995-96. This is a 12.6 per cent

increase on the previous financial year. Translated into dollars, that makes them all Milli.

Business Week gave us comparable US figures in April. In 1995, the average total pay of the two highest-paid executives at 362 of the largest American corporations stood at \$3.7m. The annual increase that got them there was twice as high as the rise in profits. Watch that \$3.7m. It is three to four times the going British rate. It gives a touch of verisimilitude to the not very likely story that companies need to pay well to keep their best executives from crossing the Atlantic.

You probably expect me to wag a finger at this point. That is too easy. True, public sector pay is being held down, while in the US average wages have been falling for two decades. But this is not the fault of either of our growing tribes, not the Billi, who live above the clouds, and not the Milli, who to judge by the ones I know, work hard.

The unwise some of us feel is due to our inability to

envisage a better way. We could tighten the rules of corporate governance, ensure that bonus packages are properly earned, allow shareholders to sue boards that pay unjustified amounts. Fine. We would be tinkering, but there is little harm in that. We could slap new taxes on millionaires and billionaires but it would not bring in much money, and the threat of doing so might lose votes. We would be fusing, with marginal effect.

The core of the matter is intellectual. Until the 1980s we organised our politics around a belief in the essential unity of society. Some would have more than others, to be sure, but there were unspoken limits, points of restraint. We thought that redistributive taxation was just. For two decades we have chosen another path. Nobody has shown us how to get off, or whether we would be happier if we did. Until someone comes along with a fresh idea the Billi and Milli will multiply, and soar above the rest of humanity.

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PERSPECTIVES

# The Nature of Things Secrets of the abyssal infernos

Industry could benefit from the creatures of the underwater volcanic ridges, says Clive Cookson

The planet's surface tears itself apart. Lava erupts from some of the fissures. From others gush superheated solutions of toxic salts, hotter than molten lead. Around them jostle crowds of bizarre creatures living off chemical energy in the perpetual darkness, at pressures so great that a human being would be crushed flat within an instant.

An alien world? No, life today in the most geologically active region on Earth: the chain of "mid-ocean ridges" that runs across the globe for 50,000km, like an irregular seam on a giant tennis ball.

Every ocean has its ridge, a volcanic mountain range beneath several kilometres of water. This is where molten rock rises from inside the Earth, creating new crust and pushing apart the continental plates.

Most active is the south Pacific ridge, which is spreading by 14cm each year. The mid-Atlan-

tic ridge is pushing Europe and north America apart by a relatively modest 2cm a year - about the same growth rate as a human fingernail.

Studying such an active volcanic region at such great depths is hazardous. At the least, scientists have to spend weeks on steam-tossed research ships, trying to position their equipment accurately at the end of cables more than 4km long. The more intrepid researchers visit the ridge in person, descending in a titanium sphere with walls 10cm thick to withstand the water pressure.

Their latest geological and bio-

logical discoveries were described during a presentation by the British Mid-Ocean Ridge Initiative (Bridge), an 11m programme funded by the Natural Environment Research Council at the British Association conference in Birmingham last week.

For the biologist, the most interesting places on the ridge are the hydrothermal vents - hot springs that expel superheated water from the sea bed. Some, the "black smokers", are so rich in minerals that dark clouds of metal sulphides rise into the ocean like plumes from industrial chimneys.

Dense colonies of animals cluster round the vents, living off bacteria that feed directly on sulphide chemicals at temperatures above 100°C. In the Pacific, vents are dominated by giant tube-worms - bizarre creatures up to three metres long, which have no internal organs of their own and appear to be little more than huge bags of bacteria.

In mid-Atlantic vents, blind shrimps are the dominant species. They have no eyes but a heat-sensitive organ on their back that enables them to home in on the vents.

One mystery is how the animals travel between vents,

which may be tens or hundreds of kilometres apart. They are not adapted to live anywhere else, but no vent is everlasting. Eventually the flow stops. How do they find new vents?

According to the latest Bridge research by David Dixon and colleagues at the Plymouth Marine Laboratory, the blind shrimp have larvae with eyes, which can be distinguished from those of conventional shrimp only by genetic tests. DNA fingerprinting of shrimp larvae trawled from the deep oceans shows that vent species travel for hundreds of kilometres in search of new homes.

While they are migrating, the larvae live on plankton, derived ultimately from photosynthesis in the upper layers of ocean. So the "chemosynthetic" vent ecosystems are not, as scientists previously believed, totally independent of the photosynthetic world.

Next year, Bridge researchers will try to bring adult blind shrimp up from a hydrothermal vent, alive, in a pressured chamber so as to study them in more detail.

Hydrothermal vents have been discovered at an increasing rate since the first was found almost 20 years ago. Worldwide, 150 are

known, and Chris German, a vent explorer at the Southampton Oceanography Centre, says there could be as many as 300 in the Atlantic alone.

These abyssal infernos could eventually be important for industry, in two ways. First, the creatures living there must have enzymes and metabolic systems that enable them not only to thrive in extreme heat, but also to withstand very high levels of toxic metals such as lead, cadmium, mercury and arsenic. These might be useful, for example, in the search for better ways to clean up polluted stretches of coastline.

Second, mineral deposits surround the vents. Black smokers are often associated with spires of metal sulphide compounds, as tall as cathedrals. These are probably as rich as any conventional deposits of metal ores, but it remains to be seen whether it will be cost-effective ever to mine them.



Glenn Rowley, left, on the summit of Ngam Gang Tang, on the first trekking peak expedition to Bhutan

Glenn Rowley

Minding Your Own Business

## Masters of the peaks

David Spark meets an adventure team that takes groups along a different route

When Glenn Rowley read about Pakistan's mountains in Galen Rowell's book *The Throne Room of the Mountain Gods*, he decided he must see what Rowell had photographed. It led him and his friend Tim Greening, a former London bicycle dispatch rider, to found Karakoram Experience, now KE Adventure Travel.

In 1996, the company had a turnover of £870,000, taking 500 people on foot, truck or mountain bike to the great peaks of Asia and elsewhere. This year it expects to turn over £1.2m and accommodate more than 700 clients.

In 1984, K2, the world's second highest mountain, was still hard to reach. First, you had to get to Skardu on the Upper Indus, after a bone-shaking bus journey from the Pakistani plains. "The road was open one day a week in one direction, and one day in the other. It was

the most frightening road you could drive on," says Rowley.

From Skardu, it was a three-day walk through a hot, landslide-prone gorge and then up the Bakoro glacier to reach Concordia, from where K2 and the adjacent Karakoram peaks can be seen in all their glory.

The 1980s was a golden age of climbing. In Rawalpindi, Rowley and Greening met Reinhold Messner, conqueror of all the 8,000 metre peaks in the world. They also met an independent guide, Mohammed Iqbal, with whom they formed a partnership.

Back home, they put up £500 each to produce a brochure and advertise in a climbing magazine for people who would pay £2,000 each to go to K2 in 1985. Ten went. "We did all the cooking ourselves and put all the tents up ourselves," Rowley recalls.

That was the start of Karakoram Experience. Trekking to Everest and Annapurna in Nepal was already well established by 1985 but no one

had previously organised it in Pakistan. Iqbal saw to the local arrangements.

Away to the west in the Chitral valley, Siraj Ul-Mulk heard about the venture and explored new routes with Greening while Rowley travelled through China.

"To start with," says Rowley, "we weren't making a lot of money, only financing our own travels." Then in 1987, while he was in Australia and his mother was in charge of the business, bookings took off. Turnover forged ahead to £240,000 in 1988 and £400,000 in 1989. "We moved up to Keswick and started to do it full time," and they became the first to take a group up Mount Eilurus in the Caucasus.

Although altitude has a severe effect on people, says Rowley, the thrill of seeing bears, snow leopard or ibex makes people feel it is worth the effort.

These days half the food for a trip is exported from Britain. Local com-

panies run by Iqbal, Siraj Ul-Mulk and others engage about 10 guides and cooks and 50 porters per trek.

Rowley says one of the main reasons for the company's success is its staff. KE has more than 20 trek leaders, some full-time. All are trained in first aid.

Eight years ago, KE advertised treks by mountain bike and failed to get a response. But now they are proving popular - especially the downhill routes. The 600-mile Lhasa to Kathmandu trip ends with a descent from 5,400 metres.

KE also makes arrangements for climbing groups and for schools. Loughborough Grammar School pupils joined in raising £15,000 and helped install a clean water supply for the village of Hushe, near K2. In January, KE heard from Hushe that the first nine taps were working, in spite of very low temperatures.

KE Adventure Travel, 32 Lake Road, Keswick, Cumbria CA22 5DQ (017687-73892).

Fishing

## It was the catch of a lifetime...

Just another day on the riverbank turns into a special experience for Hugh Dickinson

The morning was far too bright. In the meadow behind us the silvery leaves of the poplars shimmered in a faint breeze of the upper air, but nothing touched the glassy surface.

Flocks of young ducks skittered behind anxious mothers. One had 18 ducklings. Moorhens fled hysterically as we approached. A few late mayflies flopped about in the heat. A kingfisher's blue streak flashed up stream with its shrill whistle.

We fished 100 yards apart on a stretch of river where the current runs deep between beds of weed, father and son (home on leave from Africa) sharing a rare day of gentle rivalry with the rod.

He can cast further and more accurately; I am more wily and know where the trout lie. But this morning every movement on the bank was seen by the fish before we saw them. I resigned myself to a blank day as yet another spooked fish darted up stream.

A shout from below me brought me running with a net. He had seen a rise right under the far bank and with his longest cast he had covered it. A slow, sluggish resistance as he reeled the fish in was explained when we landed the largest roach I have ever seen. We admired its beauty and slid it back into the cool water.

We caught and returned half a dozen small fish and then adjourned to the pub for beer and sandwiches and tales of the giant perch of central Africa.

We stood on the bridge above the pub and watched a 3lb trout rising like clockwork to a tiny white midge, ignoring everything else, even the occasional drowning mayfly. It was instructive. It did not bother with anything that was more than four inches away from its nose. From the bank it would have been impossible to see what it was taking.

We killed the hot afternoon away in that lovely landscape, watching a sparrow hawk hunting along the edge of a copse and water rats prospecting the river bank.

As the shadows lengthened we moved up to a pool which I had been trespassing in my mind all day for just

this witching moment. Here the river runs in a tight S-bend.

The current runs along the inner bank of the upper curve and then broadens out into a shingle shallow. In the deep water above the gravel there are always good fish. But the enterprise is made almost impossible by a huge decapitated plane tree standing right on the edge of the lower curve, the deep current washing its roots while its outer branches hang only 10 inches above the surface.

Kneeling on the bank beside the shallows you cast horizontally up into the fast stream under the tree. I showed Ben the trick and

A big fish going hell for leather in a small river is a most thrilling and terrifying sight

reel as the fish took the fly and torpedoed up stream.

A big fish going hell for leather in a small river is a most thrilling and terrifying experience. This was a very big fish. It took the line out to the backing and looked as if it was going to go round the further bend before the weight of the river and the pull of the line slowed it.

Then it came streaming downstream as if heading for the Solent. There was a near disaster when the line caught in a lower branch of the tree.

"Keep your rod down!" I yelled as I headed for the bridge. By the time I had fought my way through the bushes Ben was up to his thighs in the river with the fish tearing backwards and forwards with sudden plunges and rushes looking for a way out of the pool.

I waded out on to the shingle to stop him running downstream - I had lost several fish there that way before. From my vantage point I could see the fish clearly as it raced past in the deeper water, a huge golden and red shadow. I could also see that it was very lightly hooked. My heart was in my mouth.

I slid the net out on to the bank of the shallows at full stretch. Twice it tore past just out of reach. The third time it paused just in the deep water by the gravel. Gently I lifted the net and it was in. I staggered to the bank with the thrashing monster soaking me with spray. Ben had to help lift it ashore.

Panting and triumphant we looked down at the fish of a lifetime glistening in the evening sunshine on the meadow grass.

"My God," he said. "Just look at that!" We walked back to the car with two more fat, but ordinary, trout in the bag. The half moon picked out a rare barn owl ghosting along a hedge. A white mist was rising on the water meadows. Up on the cornfields the combine harvesters were bringing in the wheat, their headlights cutting swathes across the fields.

On the cooling air voices carried from the village a mile away downstream. A mallard flew over, quacking in the darkness. Africa seemed far away.

## Pornography and art: we are the censors

Continued from Page 1

of outraging public decency. The offending work, "Human Earrings", consisted of freeze-dried human foetuses attached to a modelled head.

The law is "an absolute lottery", according to Howard Manning, the police officer who, with an inspector colleague, was called in to review the works at the Hayward Gallery.

Manning works in the obscene publications section of the Clubs and Vice Unit of the Metropolitan Police. He said the law on indecency, designed to protect children, is vulnerable to fashion but relatively tough.

Obscenity verdicts, on the other hand, are erratic and

convictions very difficult to secure. "The same material can be convicted and acquitted in the same court in different weeks. We don't know where we stand." But Sgt Manning is a realist who accepts that if there is no consensus today, there probably never was one.

A graphic illustration was provided earlier this year when members of the O'Sullivan family and others, said by the police to be Britain's biggest suppliers of hard core pornography, were acquitted by a jury which had spent more than 30 hours looking at videos and magazines containing extreme sexual violence.

Were those jurors repelled? Were they disgusted? It does not matter. The prosecution has to show that the material is likely to deprave and corrupt. And the obvious defence is: anyone likely to see such stuff is depraved and corrupted

already.

It is difficult to determine whether juries are showing a commonsense response to irresolvable issues, or are being frustrated by badly drafted law.

One of the defence barristers in the O'Sullivan case was Charles Salter. Inclined to agree with Manning's "lottery" verdict, he also thinks juries will convict if they are determined to, whatever the law says.

Salter, a liberal with doubts, said: "No one will ever be entirely rational. Everyone has anxiety about their own sexuality. People won't admit to liking pornography, so you get this raincoat image - and raincoats have no lobby."

He claims to have found sympathy in the most unlikely places, such as a jury including four Irish Catholics and a Moslem woman which let pass magazines containing pictures of

women in bondage. "But my favourites are old ladies. They were girls through the war and have seen it all. They think this stuff is silly."

Meanwhile the art pundits, terrified of making judgements that might be deemed censorship, are striking ever stranger poses in order to demonstrate artistic justification. Here is Germano Celant, catalogue editor of the Mapplethorpe exhibition, on *Centlemen*:

"Centlemen seems to declare Christ's rebellion

against the 'law' and, with a reversal and overthrow of symbolic values, it makes everything interchangeable, confusing god and demon... Mapplethorpe salvages the homosexual discourse, which is taken on as a discourse on criticising and breaking the paradoxical assumptions of current ideology."

And the object of this critique? A photograph of a man sitting on a barrel, doubled up, with his bare buttocks spread over a crucifix. (You hardly need to know that Mapplethorpe, like the pop star Madonna and Andres Serrano, author of *Piss Christ* was brought up a Roman Catholic.)

No amount of intellectual tergiversation will convince the man and woman on the Clapham (or Cincinnati) omnibus that this is the last word on the matter. Nor can they rely on the law to settle things, for the law has

shown itself at a loss in a society where norms are no longer handed down by political and religious leaders to the grateful masses. From now on, in the era of post-Mapplethorpe morality, the public will have to play jury to itself.

In *The Secret Museum*, a history of pornography, Walter Kendrick refers to a speech by Richard Nixon - a man not often accused of artistic pretensions. "As free men willingly restrain a measure of their freedom to prevent anarchy, so must we draw the line against pornography to protect freedom of expression."

Nixon added that if dirty books had no lasting harmful effect on character, then great books, paintings and plays had no ennobling effect. "Centuries of civilisation and ten minutes of common sense," the former American president said, "tell us otherwise."



Robert Mapplethorpe: Self Portrait, 1980

مكتبات العرب

PERSPECTIVES

مكتبة الصلح

Dispatches

# Alternative TV in the basement

**Bernard Simon finds a channel that is free of American sitcoms**

I have spent more time than usual these past few weeks in the basement of my suburban Toronto home. Besides tidying up the workbench and getting the gas furnace ready for winter, I have been doing what many Canadians do in their basements - watching television.

If there is such a thing as a good time to watch TV in North America, September is it. The re-runs that fill July and August have made way for a fresh season of sitcoms, mini-series and talk shows that the networks hope will propel them to the top of the audience ratings. The new offerings have just a month or two to prove themselves. Those that do not find instant favour could be toast by Christmas.

As usual, attention is mostly on the big US networks. But the Canadian Broadcasting Corporation deserves more than a passing mention. For the first time in recent memory, the CBC has launched its annual season with not a single American programme in the prime-time evening slot.

This is no small achievement. It means that I have been able, without reaching for the remote scanner, to avoid *Seinfeld*, *America's Most Wanted* and *Larry King Live*, not to mention Bill Clinton and Bob Dole.

None of the privately owned Canadian networks has been brave (or foolish) enough to follow the public broadcaster's lead. After all, chances are slim that viewers and advertisers (even Canadian ones) will desert the canned laughter, tabloid story lines and non-stop action that are the hallmarks of the US channels.

The broadcast regulator in Ottawa made the CBC's challenge even tougher earlier this month by awarding licences to 23 specialised cable-TV channels - everything from round-the-clock comedy. But I will be crossing fingers for the CBC, and millions of other TV viewers around the world should be doing the same.

Canadians have long identified the CBC as one of their national treasures. It reaches homes across five time zones, from the US border to within a few hundred miles of the North Pole.

Most important, it reminds Canadians why they are not Americans. An entertaining two-part documentary explored just that question last week. The Canadian view was summed up by a volunteer at a war museum in Brandon, Manitoba: "I don't think [the Americans] have the kind of society that I would like to live in."

The CBC's radio service has always been top-notch, and several of its TV productions have won acclaim around the world. But like other public broadcasters torn between public service and commercial reality, the

**Canadians have long treasured the CBC - it reminds them why they are not Americans**

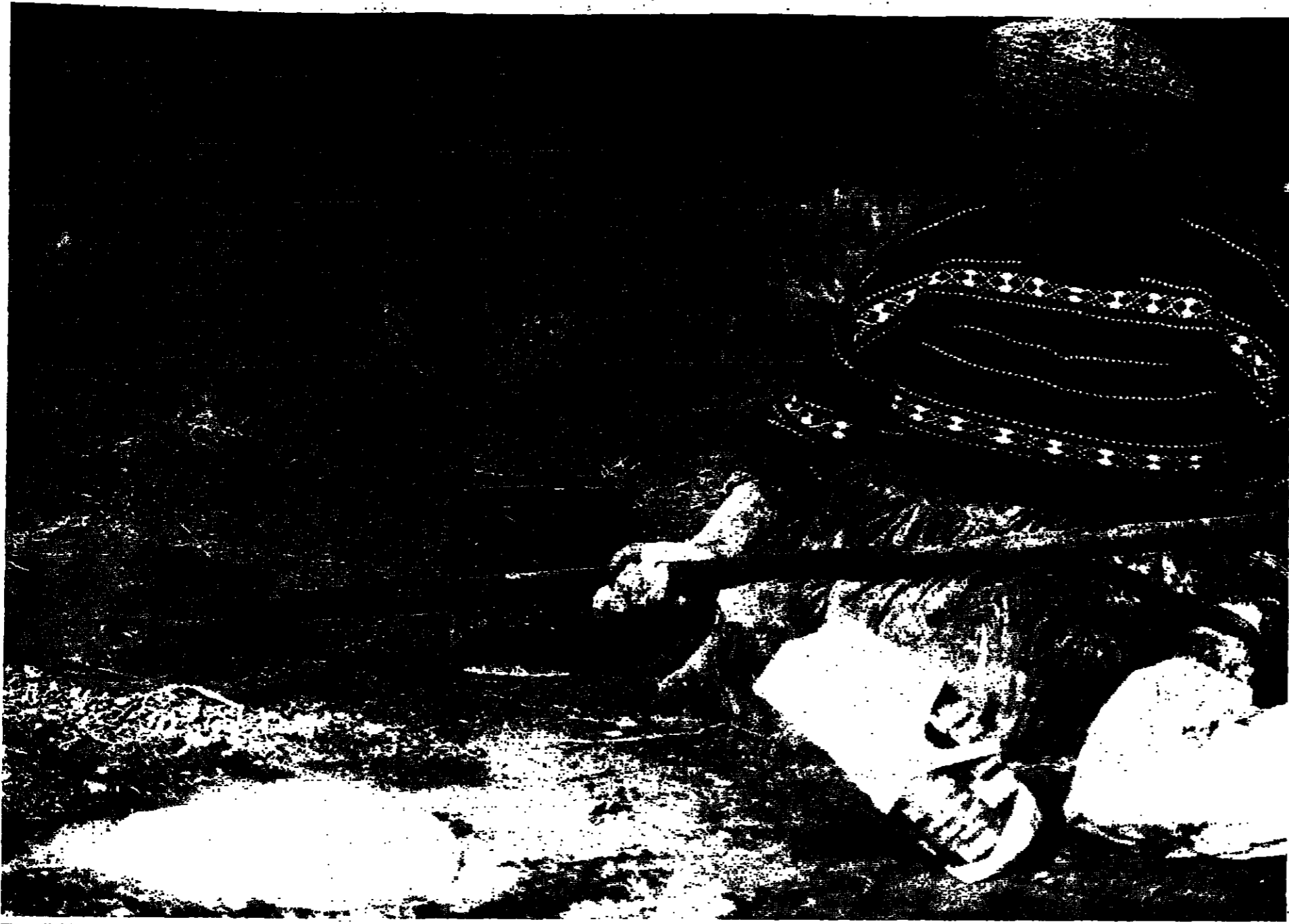
time schedule has consisted almost entirely of the ice hockey world cup.

But more encouraging signs are in the air. The government this week set aside money to support indigenous TV productions. The CBC will be the main beneficiary.

Ice hockey will be less in evidence now that Canada has been beaten by the US in the world cup. In coming weeks, the CBC's prime-time offerings will include *Giant Mine*, a mini-series about a bitter labour dispute at a gold mine in the Northwest Territories; *Elvis Inognito*, a one-hour variety show hosted by Elvis Stojko, Canada's champion figure-skater; and *Royal Canadian Air Force*, a long-running send-up of current affairs.

Whether shows such as these have much appeal to viewers and advertisers remains to be seen. It is hard to imagine Canadian teenagers flipping from ER (a hospital drama set in Chicago) to *Beverly Hills 90210* to *Peacekeepers*, a forthcoming CBC film billed as a "heart-rending, action-packed story of Canada's peacekeeping forces in the former Yugoslavia."

Sub-perhaps that is not the point. What the CBC offers is an alternative for those of us who want one.



The real thing: a woman turns the ground into an oven in South Australia

# A future for food of the past

Nicholas Woodsworth marvels at how bush tucker has been turned into 'sophisticated native cuisine'

Australia's virile, two-fisted, whack-it-on-the-barbie culinary past may be fast disappearing, the victim of growing sophistication. But it still offers scope to those with a little flair and imagination, I thought as I strolled along the pavement past a butcher's shop in Darwin not long ago.

"BLOODY GOOD MEAT, BLOODY GOOD VALUE", screamed an advertising panel of Darwin Fresh Meats to passing traffic. And as far as I could make out, the back-to-basics approach was working famously well - the establishment in question was full of what evidently were bloody happy shoppers.

The throw-back simplicity - dare I say the primitiveness - of the advert struck me, for the question of Australia's historically rudimentary eating habits had lately been on my mind.

I had recently returned from the deep bush of the Northern Territory where I sampled the most basic fare of all - foods that Aborigines, the first Australians, were eating at least 50,000 years before the continent saw its first grilled lamb chop.

Now, despite its novelty, I questioned the pastime, increasingly popular among Australians, of going into the outback to collect what

is called bush tucker. Crocodile Dundee may not have had any problems living off the land, but I certainly had.

Attempting to extract the kernel of the pandanus palm in the genuine aboriginal way, I smashed my thumb with a rock. Intent on collecting the little water-chestnut-like bulb of the spike rush, I became intractably bogged down in a swamp. Trying to bite green ants, I got bitten by green ants. It is too painful to go on - you have the idea.

Was there any real future, I asked myself, in the food of the distant past? The answer, I discovered after a few days of brooding thought, is, most definitely, yes.

It was on another pavement, this time in the north Queensland town of Cairns, that an epiphany came. Posted outside the Red Ochre Grill I came upon a menu devoted entirely to "creative native Australian cuisine".

Among the offerings: kangaroo stir-fry with black bean chilli sauce; smoked kangaroo ham with bush-tomato salsa; possum wonton; crocodile fillet tempura; freshly shucked oysters with wild lime chilli sauce; duo of emu and wallaby medallions with bush-tomato soufflé and juniper berry glaze...

I read no further, but hurried inside.

Soufflés, tempuras, glazed

sauses; I told James Fielke, Red Ochre's manager, that this was a far cry indeed from the fough, sour, root-and-berry-style native cuisine I had tried until now. How in heaven's name, I asked, had the jump been made?

It was not so difficult, he replied. After more than three decades of adopting ingredients and cooking degree heat because that is what they ate 'back home'.

"Since then we have learned to synthesise - if we could take Mediterranean cooking from the Greek and Italian immigrants of the 1960s, and south-east Asian cooking from the Thai and Vietnamese immigrants of the 1990s, why then can't we take something of the cooking of the people who were here all the time?"

Why not indeed? When Captain James Cook first reached Australia in 1770 he used warrigal greens, a spinach-like ground cover, to allay the effects of scurvy suffered by his crew.

After that time, though, new arrivals to Australia assiduously avoided local foods, the earliest of them even risking starvation. Only in the last decade, for example, has it become legally possible for human beings to consume kangaroo, a meat Fielke much praises for its high-protein, low-cholesterol, pesticide-free content.

At this point the "Australian antipasto plate" I had ordered arrived. I could only agree with him. Cholesterol questions be damned, smoked kangaroo tastes good. It tastes even better in a piquant sauce of bush tomatoes - the berries of a small shrub found in inland desert areas. So too does ocean trout, fished from the

**Only in the last decade has it become legally possible for humans to consume kangaroo**

styles from one culture after another. Australians are well and truly over their "cultural cringe" - that inferiority complex which for the first half of this century kept them eating from tins and jars judged superior simply because they came from Britain.

"We ate very badly," mused Fielke. "Even the roast and three veg on Sunday was bad. I still remember eating Christmas pudding and custard in 40

Letter from Nigeria

# Monkey business gets serious

A rare and endangered African species is getting a new lease of life, writes Paul Adams

Next month a half-copter in south-east Nigeria will be flying an unusual mission. Instead of ferrying workers from Calabar to Ashland Oil's offshore rigs, the Bristol's helicopter will be packed with rare monkeys making their first visit to a rainforest.

The 40 drill monkeys - almost half the total number of captive drills in the world - were raised either as orphans or ranch-bred in Calabar. Their new home is to be a wildlife sanctuary in the Afi Mountain reserve in Cross River state, on the edge of the last big rainforest in west Africa.

The trip will be the high point of five years' work by Peter Jenkins and Lisa Gadsby, whose award-winning Pandrillus project was established to protect these rare animals and introduce them to the sanctuary.

The Calabar drill ranch, as it is known locally, offers the only captive breeding programme for an endan-

gered primate in Africa - the rest are in foreign zoos, mostly in Germany. Jenkins and Gadsby first got the idea for the project when an orphaned drill was given to them. It is an impressive monkey, larger than a baboon, and is found only in that corner of west Africa.

"These are an endangered species, there are a lot of orphans [caused by hunting of the adults] so an in situ captive breeding programme was needed," says Gadsby. Clement Ehin, director of the Cross River National Park, was a co-founder who had been on a course at Jersey Zoo and was keen to start a programme.

"When we came to Nigeria eight years ago on a 10-day visit, we were just happy-go-lucky overlanders. Peter is a builder and contractor, I studied zoology at the University of Oregon," she says in the house in Calabar which serves as the office for the drill ranch and the home which they share with vol-

unteer workers, keepers, visitors and, occasionally, monkeys.

"The project has grown by leaps and bounds since we started with local donations. We had a Land Rover, which we lived in for two years, and some money from the project. When that ran out we got some sponsorship

mental Protection Agency will come their way.

There have been eight captive births at the ranch, with only one lost. Now 40 per cent of the world's captive drills live at the ranch - 28 live in one big enclosure, the optimum group number in the wild.

"We are not zoo-type people, we are closer to field-type conservationists, but we are really between the two camps - we keep them in captivity but we try to bring ecological principles into keeping the animals," Gadsby says.

Few people associate modern Nigeria with wildlife but it is the third most important country for primates in Africa, with the third highest primate diversity (after Cameroon and Zaire) - 25 species including two endangered apes (gorilla and chimpanzee) and a number of rare monkeys.

The World Conservation Union rates drills as the highest conservation priority among African primates.

According to local hunters - the best source of information - the drills are becoming more scarce. They are hunted for "bushmeat" using dogs to trap them before they are shot, and there is a lucrative trade in smuggling.

Their habitat is also shrinking. The World Bank estimates that 95 per cent of Nigeria's rainforest has been destroyed. Most of the remainder is in Cross River state but population growth is creating pressure for new farm land, while a new timber mill, if approved by the government, could trigger more logging.

Last year Pandrillus won the Whitley Award, an international prize for new efforts in conservation, for its community forestry scheme at Afi. The community has applied to the state government to designate the scheme the first wildlife sanctuary in Cross River state.

"The way of the future is small projects, run by com-



Eight chimpanzees, which were also at the drill ranch in Calabar, have already been moved to the new site at Afi, where Jenkins is building a protected enclosure.

The local chief has begun the village's own conservation effort, funded by the Pandrillus project and backed by 20 other community chiefs around the Afi mountain forest. It is recruit-

ing 10 men, mostly former hunters, for anti-poaching patrols and to educate others in the community about the wildlife.

Gadsby says: "We never expected that the captive breeding programme would have so much educational value. Unfortunately, we'll lose some of that aspect when we move to the forest, but we'll leave the quarantine group here."

TRAVEL

# The two faces of modern India

Over the following pages, FT writers visit India. Adam Hopkins opens this special travel report with an attempt to discover the true Delhi, hidden in the old and new cities

I saw a murderer arrested in Delhi earlier this year - or at least he was alleged to be. The place was in the tangled lanes off Chandni Chowk, jam-packed market thoroughfare, once the demesne of Mughal nobles with enormous palaces.

The alleged murderer was young and thin, physically like the policeman who had him by the collar. But he was desperate and the policeman was smirking. Meanwhile, the mother of the murder victim shouted and raged at the man she said had killed her daughter.

A crowd had gathered and stood muttering but impassive. A cow leaned down towards discarded cabbage leaves beside a puddle. And there our rickshaw was around the corner, leaving the tableau frozen in our minds - mine and my friend Vatsala's. She was taking me on a trip round the Old City.

"I think the dead girl was a prostitute," Vatsala said. "And the man was a client. Maybe the mother wasn't quite the mother."

And then she added: "Murders in Old Delhi don't even get into the papers. In New Delhi, a murder would run across five columns." You can tell Vatsala is a journalist.

As it happened we took our lunch in New Delhi, at the home of her friends and my acquaintances, Ajay and Shivani, both from the financial world. There were several young couples as well with children - and nannies. "You have no understanding how things are coming on in Delhi now," said Ajay. "I had the good fortune to learn Japanese when I was working in Tokyo and, naturally, I like to keep it up. We went to a party here last week where there were four Japanese speakers, no less.

"And foreign companies send some of their best people now to be stationed in Delhi. This is your economic liberalisation, this is a sign of the times."

"But not all is so positive," said Shivani. "Much of what happens is so hit and miss. We wanted infrastructure and what did we get? Revolution. Truly, Revolution."

Perhaps, after the recent elections, the terms of the conversations in New Delhi will be a little different - but not much. Nor will much have changed in the

**This constant shifting of perspective is one of the pleasures of visiting Delhi - it keeps you alert**

lanes of Chandni Chowk. For this is a city with at least two parts, that of the common people and that of the real and incipient nobles. There does not seem to be much in the middle. When you go on a visit, a kind of crazy see-saw develops in the mind.

First it tilts towards Old Delhi, with the Red Fort and the mighty Jama Masjid mosque, and so many memories of the Mughals (contemporaries, more or less, of Oliver Cromwell) wrapped up with what is now the low-life part of town. This is the real thing, you cannot help but think.

Then, hey-ho, and over the way you go to New Delhi, and here is all the memory of the British Raj, with modern India superimposed in its full standing as an Asian superpower. Here are the

vast Anglo-Indian creations of Lutyens and Baker, palace and secretariat, dome and column, and such spacious white bungalows as still remain - and folks such as Ajay and Shivani.

You have to admit you are more like them than you are like the market-men and women in Chandni Chowk or, come to that, the Mughal emperors. So, the see-saw tilts in favour of New Delhi as offering the path to comprehension.

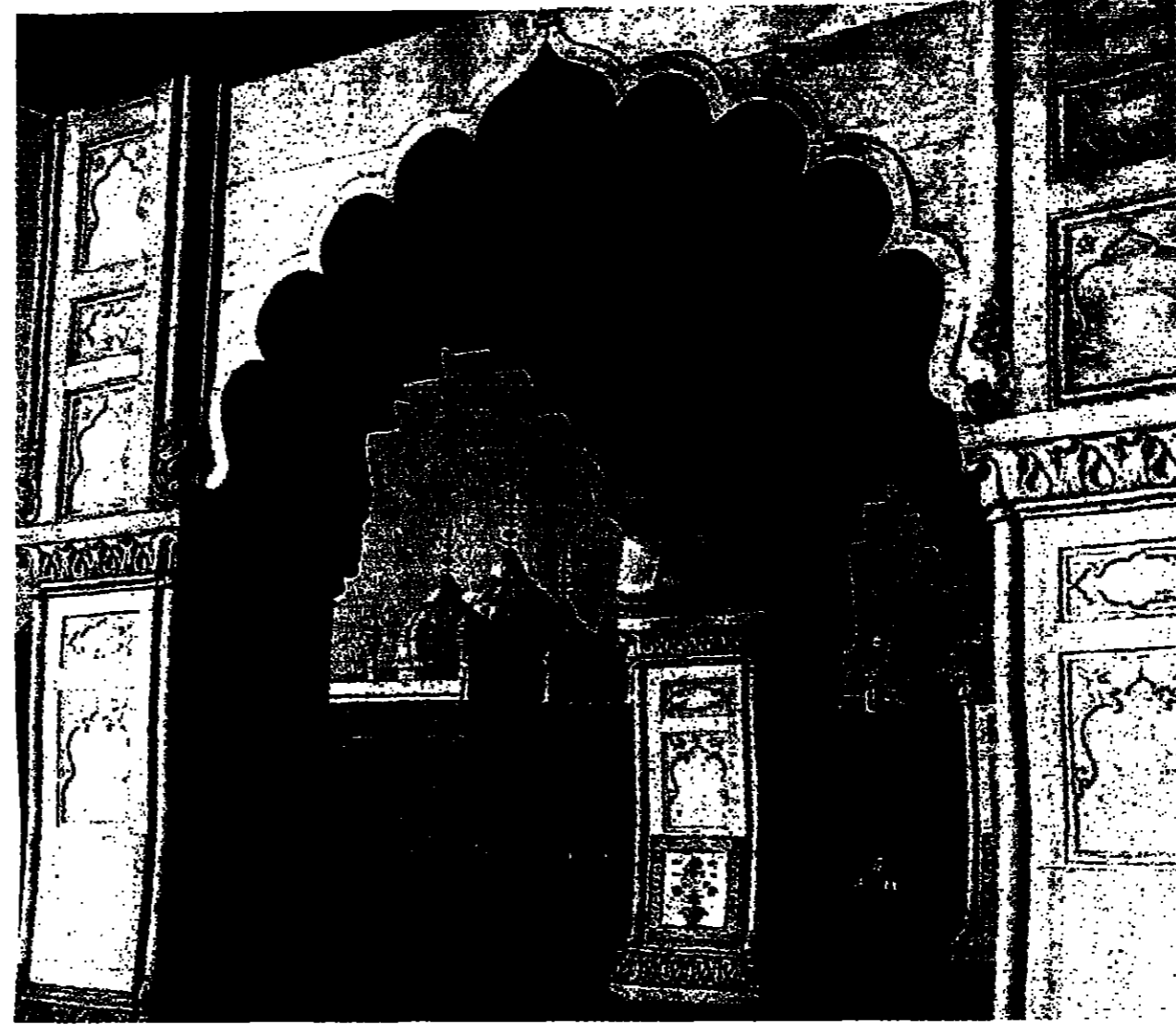
In my experience, this constant shifting of perspective is one of the pleasures of visiting Delhi, at least in the sense that it keeps you alert. The same may be said of the historical confusion.

For Delhi began somewhere else entirely, among a host of early vestiges lying several kilometres to the south. A visit to them means either a place on a coach tour, or hiring a car, a driver and a guide for at least a morning or an afternoon. This is still surprisingly cheap, especially if you share.

"Whoever builds a new city in Delhi will lose it," runs the proverb, and by and large the thought holds good, up to and including the British departure.

Some of these early attempts to build a lasting power centre are little more than dramatic piles of stone, others elaborate even in ruin. My own favourite among the early monuments is the Quth Minar, a gorgeously fluted minaret (started in 1199) with an adjoining Moslem precinct made up of the remnants of 27 Hindu temples, in themselves a lesson in the evolution - and beauty - of early Hindu sculpture.

"But the minaret became a favoured suicide spot," said my (official) guide. "Then, in 1982, the lights went out during a visit and over 100 children died in the stampede.



In the Red Fort of Old Delhi: magnificent memories wrapped up in the low-life part of the city

World Pictures

So, sorry to tell, it is closed to public now."

"Wow," I thought, "there's the real India for you." Somehow, even when you feel safest, it keeps coming at you. In Delhi, as elsewhere in the sub-continent, it makes even the most mundane tourist trip potentially full of surprises, often nice but often nasty too. That's all a part of it.

As for the Mughals, their most beautiful monument is the tomb of Humayun - the emperor who fell down his own library steps while drunk and was gathered sooner than expected to the

bosom of Allah. A great red sandstone building laced with white marble patterning and a dome like a bulging turban, it is wild and harmonious all at once. Persian crossed with Indian in that instantly recognisable Mughal mode.

Oxen draw a wide mower over the grass in the surrounding garden (divided into four by water-channels mimicking the Rivers of Paradise) and a notice warns against wild bees (they are said to have gone now). In the inner chamber, a woman in a pink sari with a shawl over her head will demon-

strate the echo, laying back her covered crown and hooting away like any old owl anywhere.

On previous visits I have taken it all pretty much as it comes, checking out the guidebooks and listening to the guides, but not doing much shouting. On this occasion I found a marvellous, if bawdy, new companion - the knockabout Delhi, A Novel by the Sikh writer Khushwant Singh.

Singh's principal character, the narrator, is a contemporary writer, surprise, surprise, deeply and graphically attached to a "nija", a

hermaphroditic prostitute, who presumably symbolises the city. But like something from a Welsh fairy tale the narrator continually changes shape, becoming a participant in each phase of Delhi's evolution.

It's a painless and pleasurable way of absorbing the history, with all the Moslem chieftains pouring over the Hindu Kush to dominate this critical strategic point in India's north-west plains, creating courts and kingdoms which not only held the local Hindus down but in the meantime echoed with poetry - an 'instructive

reminder that this was a considerably Islamic city right up until partition in 1947.

It is true that invention sometimes fails the otherwise admirable Singh. At Humayun's tomb, for instance, he makes his narrator fall down the stairs as a poor excuse for telling the story of Humayun. But by and large the varying persona of the narrator, a true insider, genuine Delhiwalah, offers huge enlightenment.

When it comes to the assassination of Mahatma Gandhi, he is actually one of the group of plotters, the story showing how even Gandhi was a complex blessing for the emerging nation. And the book ends in the most sombre of tones with the assassination of prime minister Indira Gandhi, in 1984, and the murderous persecution of the Sikhs which followed, up-ending every gain in cohesion the community had made in the previous 40 years or so.

All of which makes the essential point - that Delhi is a city which demands attention: its lively present shaped out of a past of energy and turbulence, horror and delight.

Most visitors give it only a day as they sweep off to Agra and the Taj Mahal and the glories of Rajasthan. But, in my view, as will by now be clear, Delhi will well repay that little bit of extra respect - and times.

Adam Hopkins travelled independently. His car, driver and guide were organised by Cox and King in the UK, tel: 0171-573 5000. Cox and King offers a wide variety of Indian travel, including nine-day Indian Experience tours of the Golden Triangle, visiting Delhi (alas, only one day), Agra and Jaipur from £215.

Singh's Delhi, A Novel (Fenguin) is out of print in the UK but there are plenty of copies in the Imperial Hotel, in Jampath, New Delhi. This building has the most agreeable bookshop in town. William Dalrymple's enjoyable City of Djinns: A Year in Delhi (Flamingo, £7.99) is packed with information.

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The Weekend FT goes on

**Safari**

19 October 1996

Denise Reed  
Tel: 0171 873 3218  
e-mail: denise.reed@ft.com

Dominique Moseley  
Tel: 0171 873 3576  
email: dominique.moseley@ft.com

Fax: 0171 873 3098

## Kerala Pummelled into submission

Arnie Wilson ventures beyond the golden triangle

As the sound of chanting and wailing woodwind floated up evocatively from a nearby Shiva temple, breaking through the roar of the Arabian Sea pounding the beach at Somewheream on the Malabar coast, Franklin Odathakkal Anthony, my Indian masseur, took one look at my rather broad - but not entirely unflabby - physique, and said: "You are perfect boy."

He had wondered if I was in the habit of building up my frame with visits to health clubs in the UK. I disillusioned him. But as an overweight 51-year-old, I must confess that I found the juxtaposition of "perfect" and "boy" strangely comforting.

Franklin is one of the masseurs at a growing number of Ayurvedic - or Science of Life - centres, an ancient concept designed to strengthen the immune system, prevent disease and ease tension, arthritis and skin problems through massage and "rejuvenation" therapies. The techniques, said to date back more than 2,000 years, are in the process of being revived in Kerala, on the south-western tip of India. It was a face of India I had not encountered before.

There is only one Taj Mahal, but many, many Indias. Kerala, a lush green coastal state, is 1,400 miles from Agra, the home of Emperor Shah Jahan's masterpiece. And that, in its quest to boost its tourism profile, is Kerala's problem.

It has sunshine, beaches, backwater-cruises, Ayurvedic massage and rejuvenation centres, some good hotels and houseboats, and disarmingly friendly locals. However, because first-time visitors to India almost inevitably head for Agra and the other "golden triangle" destinations around Delhi and Jaipur in the north, Kerala and its larger neighbouring state of Tamil Nadu are unlikely to get much of a

look-in. This may all be about to change, however.

Kerala is optimistic about being put on the tourist map, with the arrival of the first regular charter flights into its picturesque old capital, Trivandrum. Tourists will find a narrow, verdant land - only 60 miles across at its widest - hemmed in by the pounding surf of the Arabian Sea and Indian Ocean on one side, and the peaks of the Western Gats range running along much of the border with Tamil Nadu on the other.

The state's tourist department likes to encourage the notion that the countryside, with almost wall-to-wall

**The local countryside has almost wall-to-wall coconut palms**

coconut palms spreading almost into the ocean, and dotted with banana trees, is reminiscent of the Caribbean, but considerably cheaper.

At Coconut Lagoon, something of a "reverse oasis" among the canals and backwaters near Kumarakom, there was even a 70ft coconut palm in the central enclosed courtyard of each of the holiday cottages.

Although the courtyards also house the lavatory and shower, they are almost completely open to the night sky. In the event of a sudden burst of heavy rain, this gives one the unusual opportunity to step away from the mild jet of the shower into a full-blooded monsoon.

I watched young fishermen on the vast sandy shore struggling like members of a tug-of-war team to drag enormous nets out to sea, before bringing them round in a huge arc, in their daily trawl for the small pomfret which provides the

basic livelihood along this stretch of coast.

Not all the fishing in this part of India is as straightforward, however. At nearby Vizhinjam, a colourful but claustrophobic fishing village, there is intense rivalry between Christian and Moslem fishermen. The Moslems, who operate from one end of the bay overlooked by a spectacular mosque, fiercely resent the Christians' decision to motorise the craft they moor in the waters below the large church, which dominates their end of the bay.

This gives the Christians considerable advantage over their rivals in the size of their catch. Just weeks before our visit, rioting had broken out between the two groups.

By contrast, nothing could have been more tranquil than punting along the extensive backwaters in one of the rice-barges converted into houseboats. There is one snug bedroom for honeymoon couples and a table big enough for eight to enjoy a leisurely lunch. Neelakandan, our personal punter, kept us drifting slowly downstream with graceful but firm handling of a 10ft long bamboo pole.

There is an estimated 1,500km of backwater - a mixture of canals, inlets and lakes - inland along this stretch of coast. Had we wished, we could have travelled the whole way from Quilon to Cochin by boat via Alleppey, the so-called "Venice of the east".

Cochin, a naval base and one of India's most important ports, has the first European church in India: St Francis, which was built soon after the arrival of Vasco da Gama in 1503. Cochin also has a 16th century synagogue close to the unimaginatively named Jewtown, full of antique shops and an A.M. Cohen who offers accountancy services.

Arnie Wilson travelled to Kerala with the Cape Travel Company. Tel: 0181-943 4087.

مكتبات الامم المتحدة

TRAVEL

The rhinos of Kaziranga  
**Powerful forces gather after dark**

Nick Haslam goes on patrol with a unit fighting against poachers

**D**awn comes early in Assam. At 4.30am there was a knock at the door. "Bad tea sir," said a voice beyond the mosquito net. "The elephants leave in one hour."

Outside, cockerels were crowing and the air was cool and fragrant. I joined a small group of Indian tourists and we set off by car through flat paddy fields to the gateway of Kaziranga National Park. There, we were to spend the hours of sunrise looking for the rhinoceros unicornis, the greater one-horned rhino. The elephants were waiting for us, and we climbed on to the cushioned howdah from a raised platform 12ft above the ground. The mahout, perched on the elephant's shoulders, prodded the animal with a metal goad, and then, with an easy, slow motion, it set off.

To the west, we could see the first rays of the sun touching the peaks of the Himalayas. In Arunachal Pradesh, and before us, mist rose from marshy grassland, the perfect terrain for rhino. Within minutes, we made our first sighting. In a water-hole 200 metres away, a rhino lolled half-immersed in water. It slowly raised its head, glanced in our direction and then looked away.

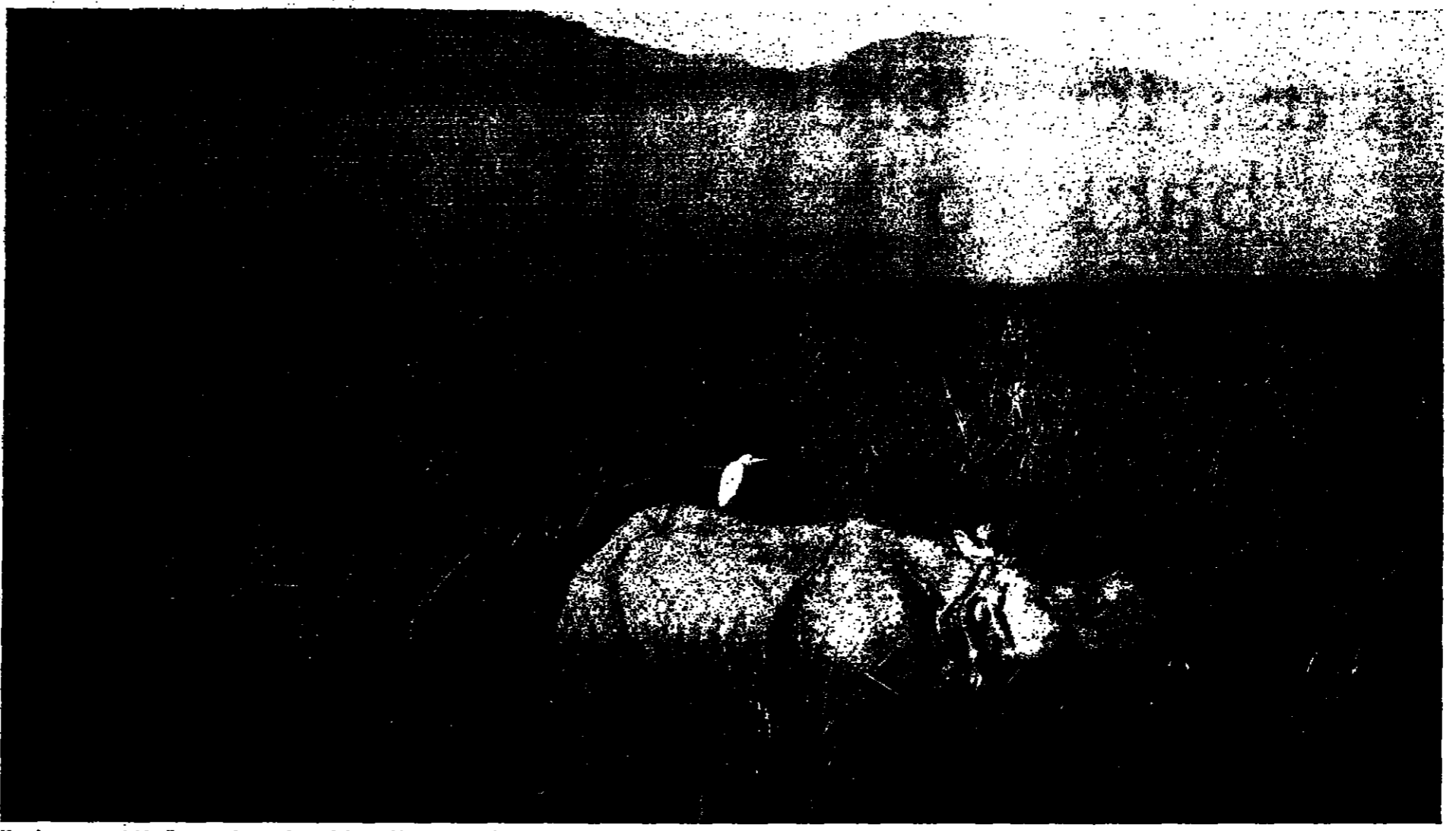
The mahout, nudging the elephant behind, one ear, swung it round and we

ambled over. From our high vantage point, we looked down, and the rhino stared impassively back, its small, black eyes betraying a prehistoric indifference to this early morning intrusion. On its armoured back, a white cattle egret patrolled, foraging for insects.

Suddenly, with surprising ease, the rhino rose and then trotted lightly away through the elephant grass, the fluid motion belying the fact that it weighed more than half a ton. We followed, and almost immediately came upon another rhino browsing in the thicket of coarse grass.

A solitary animal, the rhino usually does not charge an elephant, but our own mount instinctively kept a respectable distance between itself and the horned snout. Kaziranga is one of the world's great rhino success stories. In 1908, when the reserve was created, indiscriminate hunting and destruction of habitat had reduced the population of rhino in Assam to only 25 individual animals. There are now more than 1,300 one-horned rhinos of the entire global population in the 168 square miles (430 sq km) of park land.

There is an ever present threat to Kaziranga, however. Rhino horn powder, prized by the Chinese and Taiwanese as a medicine for reducing fevers, can fetch up to \$40,000 a kilo in the markets of east Asia.



Keeping a respectable distance: the one-horned rhino of Kaziranga in Assam

Assam, like all the north-eastern states of India, is poor and underdeveloped. Security forces are already overstretched in dealing with tribal independence movements, and poachers are a constant menace to the survival of the rhino. Late in the afternoon, I joined Mr Dey, the assistant conservator of forests for Kaziranga, as he went to visit camps set up by his department throughout the park to counter poaching activities.

At dusk, we drove through the gates of the park, where an armed guard was waiting. Not only might we stumble across a rhino in the gloom, but it was the night of the full moon, a favourite time for poachers to strike. As we jolted along a narrow track, Dey said that in 1992 there had been 49 rhinos poached. "It was our worst year. It

was like a war." There are more than 300 guards posted throughout the Kaziranga National Park, but poachers, who travel in small groups, have the advantage of surprise. Armed with carbines and automatic weapons, they enter the park in the twilight hours of dawn or dusk, shoot the first rhino they find, hack off the horn and rip out the nails of the animal before making their getaway. One horn, which weighs about 700 grammes, can net each poacher RS10,000 (£180), a small fortune in a country where the average monthly wage is RS1,500.

The horn is then smuggled out through Calcutta or across the border into Bhutan, steadily increasing in value as it is sold on from trader to trader. In half an

hour, we came to our first camp in a clearing. The guards had just finished eating and were preparing to go out on patrol. They saluted Dey and reported that there had been no movement in the area that night.

**B**arefoot, in ragged uniforms, carrying flashlights and old bolt-action rifles, they looked ill-equipped to deal with well-armed and determined poachers. Dey said that, despite all the odds, they are a formidable fighting force.

Leaving the truck at the camp, we walked with the guards through the forest, stopping occasionally to listen for any signs of activity. Fireflies danced in the dark, and from the nearby river the sound of frogs filled the night. Suddenly one of the

guards stiffened and motioned us to be still. He indicated to his left and flashed his light. There, about 15 metres away, we saw the unmistakable round rump of a large rhino browsing in the undergrowth. Quietly, we turned back and walked away.

The Forest Department maintains contacts with local villagers who sometimes tip off the guards that a poaching raid is imminent. But, too often, the first indication that poachers were in the park was the sound of a gunshot. "By then it is too late to save the rhino," Dey said. "But if we are lucky, we can catch the poachers before they get out of the park. If they resist, we shoot back."

Last year, 14 poachers were killed in the park, but 21 rhinos had been poached.

It must be, I reflected as we walked back to the camp, a stressful job. Dey agreed. "The guards may see their families only once a year," he said. "They live out here for 11 months of the year - but with our limited means, it is the only way to police the park."

Funds were so short that the Forest Department was unable to set up an adequate radio communications network linking all the camps - a vital step in improving the security of the park. By now it was 10pm and clouds had crept across the moon. We boarded the truck and came to the entrance of the park where we dropped off the armed guard.

As he saluted and disappeared into the night, Dey said: "Everything depends on those chaps. Despite the terrible conditions, they are

committed to saving the rhino. If we can keep morale high, then I am optimistic for the future. But if not..." he shrugged, "then the poachers will come back with a vengeance. And if that happens, the entire population will be at risk."

**Nick Haslam travelled to Assam as a guest of the Government of India Tourist Office, 7 Cork Street, London W1X 1PB; tel: 0171-337 3677/8.**

**Return flights to Delhi with Air India from Heathrow start at £456. A round trip from Delhi to Guwahati in Assam with Indian Airlines costs £150. Kaziranga is about six hours by road from Guwahati. Places to stay near Kaziranga: Aranya Lodge; tel: (03776) 5428; Wild Grass Tourist Resort; tel: (03776) 5437. The park opens on November 1 and closes on May 1.**

Nepal

**Forget the bicycles**

Across the Indian border, Stewart Dalby gets a surprise in the woods

**I**f you go down to the Nepalese woods at night, on foot, you could get a big surprise. The one-horned Indian rhinoceros has very good hearing and a strong sense of smell, but poor eyesight. It can charge at anything that moves with which it is unfamiliar.

The *Lonely Planet* guide to Nepal says rhinos are particularly enraged by bicycles, and cycles are, in fact, banned from the national parks in the border area.

Generally, I sympathise with the sentiment. When in my own natural habitat - the London traffic jam - I am often tempted to charge at people on bicycles. But to have 2½ tons of rhino with sharp teeth coming at me, at speeds up to 40mph, is not what I had in mind for my first trip to the Himalayan kingdom of Nepal.

Although people on foot have been known to be attacked by rhinos, it is rare. Khem Raj, general manager of the wildlife camp where we stayed, said: "Some caution is necessary, when on foot, but it is most unlikely you will be attacked."

It is, anyway, safer and a lot more fun to view game from the top of an elephant.

Nepal is usually associated with majestic snow-clad mountains and climbing and trekking expeditions. But there is a strip of sub-tropical, flat land between India and the mountains. It is known as the Terai and runs virtually the entire length of the Indian border, about 1,000km.

Until the 1950s, the Terai was sparsely populated, heavily forested and teemed with wildlife. This was because the jungle was malarial.

In 1954, an aid programme reduced the incidence of malaria and people from the hills started to settle. There followed intensive cultivation, deforestation and the disappearance of the game. Partly to preserve the dwindling wildlife, the government in 1973 declared a number of national parks in the Terai.

The Royal Chitwan National Park, studded with game lodges and wildlife camps, is the most popular because of its relative proximity to Kathmandu. The best-known camp is Tiger Tops, which is patronised by Hollywood film stars and younger British royals. We stayed at the Machan Wild-

life Camp at the western end of the Terai.

Having said it is easy to get there from Kathmandu, it still involves a five-hour drive which takes in a steep climb out of the Kathmandu Valley to 7,000ft; a hair-raising, corkscrew-drive down mountains wrinkled with terraces, every square inch growing something; a twisty drive along the valley of the rushing, white-capped Tre-

**It is safer and a lot more fun to view game from an elephant**

suli river; and finally a bucketing ride on an open truck across the bleached boulders of the dried-out Rapti river (in the monsoon, May to October, you have to cross by elephant).

There are eight elephants at Machan. On our dawn safari we came within a few yards of a group of rhinos. They are used to the smell of elephants, which drowns out the human scent. We saw numerous barking deer, lots of brown rhesus macaque monkeys, a crested serpent eagle and a leopard.

Holly Winton, a 19-year-old from Swindon in England who is working in the camp for a year before going to the University of Cardiff to study zoology, said we were lucky to see a leopard. Like tigers, they are solitary creatures which usually hunt at night. She said that wild elephants, which were thought to have died out in the Chitwan, now number about 100. There are about 90 tigers and around 450 rhinos.

The next morning we went bird watching with Ladhan Singe, a naturalist at the camp. There are 400 species of birds in the Chitwan. We quickly saw an ashey drongo, spotted dove, a blossom headed parakeet, a black-headed creole and a scarlet meriwet.

May in the Terai gets very hot, but there is a swimming pool at the camp to cool off

After two days and a night in my chalet with a kerosene lamp as a light, my fears and apprehension about life in London eased somewhat.

From the Chitwan we drove to Pokhara by way of Mugling, a non-descript, tin-roofed town on the main route from India to Kathmandu, which, for the traveller includes, the Hotel du Mugling. With its jacaranda, frangipani and scented hibiscus outside and its whirring fans inside, it is straight from the pages of Kipling. We enjoyed a splendid planters-style lunch there.

Pokhara is described as the trekking capital of Nepal. It is at the other end of the country from Mount Everest but its attractions are its proximity to the Annapurna range and its beautiful lakeside setting. We stayed at the Fish Tail Hotel, reached by floating pontoon pulled across the Phewa Tal lake.

You can get up at dawn, row out into the lake, in the clear air and the silence before the angry traffic hooters start up, and the view of the Annapurnas is breathtaking.

Trekking can involve anything from a three-week expedition, to three or four-day trips and one-day excursions. With time short we did a so-called "leg-stretcher", up Serangkot just outside Pokhara. It is only 1,502 metres but, even so, it took four hours.

From Pokhara it was back to Kathmandu, on a 35-minute flight. Kathmandu is a colourful jumble of shops, bazaars, temples and palaces. It is, in fact, three towns - Kathmandu, Patan and Bhaktapur. Each has a Durbar square, which means literally palace, of which the most interesting is in Bhaktapur.

It is the most medieval town, and is largely pedestrianised. There is an almost infinite variety of temples to see and good value-for-money shopping, including jewellery, wood carvings and splendid carpets.

**Stewart Dalby travelled to Nepal with Bales on their Nepal Highlights tour, 10 days at £1,095. Tel: 01806-884397.**



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TRAVEL

Assam

# Fast forward back to the future

Nick Haslam discovers how a former haven of the expatriates of the Raj has changed

**W**ith a blast on its horn, the truck swung around the hairpin and bore down upon us. I had just time to read "Slow Drive. Long Live" emblazoned on its high timber cab before our driver, intent over the wheel of the Ambassador car, swerved violently into the ditch. The truck hurtled past with a clatter of gears, leaving a plume of black exhaust in its wake. "Lorry drivers," he said thoughtfully, easing the car back on to the road, "are ferocious."

fine their legs are," he said, sighing contentedly. "It is a noted characteristic of hill tribes."

Shillong, the capital of Assam, sprawls over hills at 1,500 metres. The cool, pine woods, rhododendron and distant views rang many bells for the homesick British expatriates of the Raj who came up each year to escape the suffocating summer heat of the plains.

They built churches, created parks and set up

buildings dominate the centre. Not far from the Pine-wood, however, I heard hymn singing and, looking up, saw the red corrugated roof and steeple of the Shillong Anglican church. I slipped through the door and joined the congregation, most of whom were Khasis, singing "Onward Christian Soldiers".

As we filed out into the sunlight at the end of the service, I shook hands with the Rev Lyndoh, also a Khasi, and complimented him on the size of the congregation. "We have a good turn-out," he said. "But if you want to know about Shillong, you should talk to some of the older residents." He gave me a phone number which I called from the hotel. "We're having a bit of a do," said a slightly accented voice, "and you are most welcome."

**Easy chairs stood on the lawn, and men dressed in blazers and cravats chatted to the women**

It was the first of many narrow escapes on the long climb up from the plains of Assam to the high plateau of Meghalaya and the old British hill station of Shillong. At first the narrow road was lined with paddy fields, but then the overhanging bamboo thickets gave way to conifers and oaks. At Nongpoh, the halfway point, we stopped for tea and my co-passenger, Mr Rosario, an Anglo-Indian from Kerala, pointed out the Khasi tribesmen and women loading produce on to buses.

schools which are still among the best in India. I checked in at the Pinewood Hotel, a rambling building with deep eaves and wide verandahs built in 1917 for tea planters and their families. The porter took my bags, showed me to my room and then inquired if I would like a fire. He returned within minutes, bearing a basket containing kindling.

They were a handsome, tough-looking people with high cheekbones. "I am married to a Khasi girl," he said, "I came to visit Shillong and I never left."

The Khasis, Meghalaya's dominant tribe, are matrilineal - the family name and property pass from mother to daughter. The women are strong characters, and are renowned for their beauty. As we slipped tea, Rosario mentioned to a passing group of Khasi girls. "Notice how

it was Sunday next day, and in the clear, chill light of morning I went to see Shillong. It is no longer the sleepy hill station of the Raj. The narrow streets are crowded with taxis and cars, and new, ugly concrete

bound for Cherrapunjee, one of the wettest places in the world. Situated on the easternmost rim of the Meghalaya plateau, the town catches the full force of the monsoon as it funnels up from the plains of Bangladesh. The record year, which is still spoken of in awe, was 1876, when 41 inches of rain fell in 24 hours.

The town is a collection of low-roofed bungalows gathered on a rocky promontory of steep cliffs. In the market place, Khasi tribeswomen, with lips crimson from betel nut, sit selling oranges and honey gathered from groves in the valleys below.

At dawn the next day, I left Shillong on a road which wound through canyons and then climbed up on to wind-swept moorland. We were

worsted suit, with muffler, and carrying an umbrella, he came down to the quadrangle and told me proudly that his school provided education for Khasi children from outlying villages.

"They come from all over Meghalaya," he said, pointing with his umbrella down into the valley where, far below, I caught the twinkle of steel roofs in the sunshine. "It takes three hours to walk up from there," he said. "So many children come to us as boarders. But they work hard, and many go on to university."

"And the rain," I said. "Doesn't it get you down?"

"Oh, you get used to it," he replied. "Why, it poured this year for 1 1/2 months," and he paused, "continuously!"

Following his directions, I walked a half mile out of town to a vantage point, but clouds suddenly swept over the escarpment from the valley, obscuring the view. I strode on through a chill mist, until I came to a stall, where a young Khasi girl was selling bottled honey.

I drank some tea, and was bargaining for a bottle when abruptly the mist swept aside. There, before us, the edge of the Meghalaya plateau dropped sheer to the plains of Bangladesh, which stretched like a distant green sea to the horizon. A half mile away, on the other side of the valley, a waterfall cascaded 400 metres to the forest far below.

My jaw dropped, and the Khasi girl, seeing her



Oranges for sale: Khasi traders in Cherrapunjee

moment, gently eased the 50 rupee note from my hand and clinched the deal.

Nick Haslam travelled to Meghalaya as a guest of the government of India Tourist Office, 7 Cork Street, London W1X 1PE, tel: 0171-437 3677/8.

Return flights to Delhi with Air India from Heathrow start at £456. A round trip from Delhi to Guwahati in Assam with Indian Airlines costs £150. The journey by taxi from Guwahati Airport to Shillong takes about four hours.

Places to stay in Shillong: The Pinewood Ashok, tel: Shillong (0364) 23116 or 23765; The Alpine Continental, tel: (0364) 220991-5. Since May 1995, no special permit is required to enter Assam or Meghalaya - an ordinary tourist visa is sufficient.

## Overland India In search of Kim

JDF Jones goes on the trail of a classic tale of India

**F**or years, when I have been asked by friends planning a first visit to India to recommend a reading list, I have simply said, "Read Kim." To which the usual response has been incredulity. "What? That children's book?" And I have replied, "Read it on the flight and you will see what I mean..."

Peter Hopkirk would agree. He has published five splendid books about the imperial dramas of south and central Asia a century ago, of which *The Great Game* is the best. He has just produced *Quest for Kim*, a deliberately and delightfully "minor" book about Kipling's great novel, which Hopkirk confesses was his first inspiration.

Is there anything in international geopolitics more romantic and seductive than the story of the Great Game as it was played on the "roof of the world", on India's northern frontiers, as the Tsarist Russians attempted to infiltrate the British Raj and get through to the Indian Ocean?

The contestants may have changed after the British went home but a version of the Great Game is still being played today. I can recall nights spent in residences in Sikkim and other Himalayan border areas, drinking whisky with Sikh diplomats whose Tibetan-featured assistants did not deny that they slipped across the border from time to time.

Hopkirk, in - as I say - a very slight book, modestly suggests that his journey in the footsteps of *Kim* has no pretensions to being a real travel book. "Its aim is to explore the world of Kim and the Lama, Colonel Creighton and Lurgan Sahib, Mahub Ali and Hurrees Chunder Mookerjee... My aim, born of strong missionary zeal, is to persuade people to rediscover Kipling's Indian masterpiece."

Hopkirk is writing for readers who know, or once knew, the book. He attempts to maintain a summary of the action but the effort is probably unnecessary - it is hard to imagine that anyone will read it who does not rel-



ish his Kipling. What we want is to hear what Hopkirk has discovered.

He starts, inevitably, with the Zam-Zamnah gun in Lahore, where the boy Kim is first spotted - and he relocates it. Similarly, he re-positions the old "Wonder House", the museum of which Kipling's father was curator and who, in his fictional capacity, made welcome the old Lama.

From Lahore, Hopkirk attempts, with occasional failures, to follow the journeyings of Kim and the Lama. For instance, he fails to take a train to Ambala, and finds that the old tonga road to Simla, the route taken by British administrators for more than 70 years, has apparently vanished.

With Kipling's principal characters, Hopkirk has better luck. Mahub Ali "appears to have been modelled on an actual Afghan horse-dealer bearing that name, who was known personally to Kipling when he was working as a young frontier journalist on the Civil and Military Gazette". Colonel Creighton, the boy's spy chief, is identified as Colonel Thomas Mont-

gomeric of the Survey of India, who trained his "pundit" surveyors to walk at a uniform pace which could be jogged into a record of hitherto unmapped border areas. Creighton/Montgomery's high-level visitor, spied on by Kim, must have been Lord Roberts.

Lurgan Sahib, the Simla gem dealer who teaches the boy pelmanism and other skills, was based on a real-life Simla character called A.M. Jacob. The fat Bengali babu was inspired, says Hopkirk, by Babu Sarat Chandra Das, who lived in Darjeeling and was an expert authority on Tibet.

Novelists always insist they do not rely on the real world for their characters and that something called imagination has a more important role. Let us just agree that Kipling's Mahub Ali must have been more sympathetic than his model, that Creighton was more effective than Montgomery, that Mookerjee was even more fascinating than the Babu in Darjeeling, and that the boy Kim is utterly finer than the barefoot child of a renegade soldier called Tim Doolan of whom Kipling may have heard.

As for the places, which Hopkirk has attempted to track down on our behalf, Kim's school - financed by the Lama - of St Xavier in Lucknow was in reality La Martinière. (We are reminded that in Lucknow, uniquely, the Union Jack was flown both day and night since the 1857 mutiny.) In Mussoorie, 7,000ft up in the Himalayan foothills, where Kim and the Lama slept in the open, Hopkirk stayed at the Savoy Hotel, where, he declares, he would happily spend the rest of his life.

Does any of this make sense to people who do not know the book? I suspect not. For the experts, Hopkirk offers a couple of thoughts. He wants to change the usually assumed date of Kim's adventure by 10 years, to 1888, after the second Afghan war. In this context, he finds official reports of the arrival of three Russian explorers in the northern Kingdom of Chitral, and he explains why the Babu knew that one of the intruders was French.

*Quest for Kim* is certainly not LitCrit, and its author denies that it is a travel book. So why is it worth reading? First, because it is a sensible and enthusiastic view of *Kim*; we are encouraged to laugh at those fatuous critics, often American academics, who have made such a meal of a classic adventure story and who see Kim as symbolic of a colonialist annexing a new territory. Second, it takes us back into the Indian context of this wonderful classic.

And third, it demands that we read the book, perhaps for the first time since childhood.

*Quest for Kim* by Peter Hopkirk, John Murray, £12.95, 274 pages.

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TRAVEL



Beauty in Lamta: this mosaic from the 2nd century of a buxom Venus was discovered by a hairdresser two years ago

# Pictures from the past

Derek Wilson goes in search of mosaics in Tunisia, a rich Roman legacy

**W**ealthy Romans living in Tunisia in the 2nd and 3rd centuries loved to decorate their sumptuous villas with mosaics.

The rich heritage left by these hedonists is still coming to light, but much is displayed in museums throughout the country. Stunning for their artistry and durability, the mosaics conjure up a life of luxury and splendour in Roman Africa at the height of the Empire.

For convenience, and also to get a sense of perspective, the starting point of the mosaic trail has to be the Bardo Museum, outside Tunis, home to the biggest collection of Roman mosaics in the world. Most of them were meant to impress dinner guests of the Roman bourgeoisie and so they principally adorned the floor of the spacious triclinium (the dining room with reclining couches).

The themes of the mosaics, portrayed in vivid colours, range from mythology to fights in amphitheatres and scenes of everyday life. The Bardo's most famed pieces include Virgil seated between two muses and Odysseus lashed to the mast being rowed past the Sirens.

The museum also possesses finds from the earliest digs and, according to Tunisia's Heritage Board, is just

an appetiser for the immense amount of material unearthed since in the old "granary of Rome". The board says the later finds gain much from being seen *in situ*, mainly close to the east coast. (In the manner of their Phoenician forerunners, the Romans settled and urbanised Tunisia from the shore inland.)

So much is left behind because after the Empire's collapse, Tunisia's Roman cities were, like Ostia Antica near Rome, simply abandoned. And nobody has built on top of them.

Getting around post-Bardo Tunisia is easy, fast and cheap. Clean, air-conditioned taxis head south and west from Tunis on the country's two main lines and provide the basic transport. They either take you to your destination direct or drop you in the general area. The rest of the way is done by collective taxis or *taxis de louage*, which operate between towns. To be found in the main squares, they speed off once their capacity load of five is made up, usually quickly.

The most dazzling trove of mosaics after the Bardo is at El Jem, three hours from Tunis. Once the flourishing Roman town of Thysdrus, it is now reduced to shanty-status. Nevertheless it is a magnet for tourist buses on the strength of its colosseum, an ochre mass which surges up

in the middle of a vast plain like a mirage.

A 3rd century ellipse, it is the Roman world's third biggest amphitheatre after those of Rome and Verona and seats 30,000. It symbolised the ostentation of a place where the rich sought to outdo each other in their displays of opulence. Their mosaics reflect this, and can be seen in a nearby museum due to be tripled in size, but which nobody visits.

The marvel of these mosaics lies in the delicacy of their execution and witty originality. They are typified by staring faces in "cameos", set within backgrounds of intricate geometry.

Take the train from Sousse to Bir Bou Rekba and then a taxi to Mabeul. The mosaics are from the 6th century and kept in a small museum due for expansion. There are only a few, but they are astonishing. In composition, sophistication, colour, sureness and perspective, they seem consummate borrowings from the early Italian Renaissance.

The highlight is a complex but flowing scene of a kneeling Priam offering his treasure to Achilles. The mosaics were removed from a single villa in Neapolis which is still being dug out. For a small bribe, the villa can be seen after a 1km walk through deep sands, beyond the tourist gulags.

There are other surprises, too, in the shape of Tunisia's so-called "underground mosaics" at Jendouba, close to the remains of Bulla Regia, a former Numidian royal residence and later a Roman colony.

Here, in the lee of a mountain ridge, the Romans built the first story of their huge, sturdy villas underground, to ensure coolness in summer. The mosaics are still where they were composed, shrouded in gloom on the lowest floors, under cross-vaulted ceilings. Although neglected and prone to seeping water, some remain in good shape, with sharp colours. The most telling is a forceful portrait of a thick-lipped Amphitryon.

The road from Jendouba twists into heavily wooded mountain country that is almost Alpine, with gurgling torrents and first-class hotels, and peters out in the little seaside town of Tabarka, close to the Algerian border. It is good for swimming and dining on fish. The bus back to Tunis, through luxuriant hill country, takes three hours.

Tunisia's mosaics are only

Roman in that they belonged to Romans who were local land-owners, shippers, horse-breeders and the like. The artists responsible for the work were indigenous, or Punic, often itinerant teams.

Recently, there was a sensational discovery of mosaics dating to the 5th century BC. Found near Carthage, they pick out the islands of the Mediterranean. According to Hedi Slim, these findings confound the theories on the origin of mosaics, and could mean that the birthplace of the art was in Tunisia itself.

The best months to visit are June, September and October. Few postcards are available so a camera is a must. Many restaurants serve neither beer nor wine but the exceptions are worth seeking out. Package tour hotels are not essential. Most town centres contain first-rate Tunisian hotels such as Les Aigulles in Tabarka and Imene in Nabeul.

**They are typified by staring faces in 'cameos', set within backgrounds of intricate geometry**

## A Walk in Burgundy

# Taking the slog out of 80 miles

Robin Neillands tastes his way over hill and dale

**O**ur eight-day wine walk through the vineyards of the Cotes de Beaune turned out to be more of a walk and less of a wine crawl than I had anticipated. With daily distances averaging between 12 and 17 miles, this is a trip for serious walkers. But my wife, who came along to keep an eye on me - and who is not a serious walker - has asked me to add that she coped very well and never complained.

Those who enjoy good wine and can manage more than a stroll will also find this holiday enjoyable.

The routine on a wine walk is easily explained. It is based around a series of small hotels, most owned by vigneron. The walker, lightly equipped, travels over the hills and through the vineyards, stopping at a different hotel each night, taking advantage of any degustation opportunity along the way, and enjoying a four-course meal with more local wine every evening.

The heavy baggage is sent on daily by car, and all the walker has to do is manage the daily distance and cope with some delicious food and wine. The combination is not compensatory; in the course of our walk we covered about 80 miles and I still put on about 5lbs.

The trip began with a swift six-hour journey from London to Nuits St George on Eurostar and the TGV. This got us to our first stop, the splendid Hotel Le Manasses at Cuvilly Verzy, in time for Yves Chaley's evening wine tasting in the hotel's own wine museum.

After that, we dined down the road at the Auberge La Ronelle, where the Ffr90 menu offered a wide choice of Burgundian dishes. By nine o'clock the next morning we were up and dressed and ready for the trail.

Burgundy is a splendid part of France, somewhat neglected by the British visitor, a green and gold country of vineyards and cornfields, dotted with small towns and villages, most of

them medieval, many wine centres.

Pommard, Volnay, Meursault and Beaune are not just wine labels but pretty flower-filled villages, each with at least one good restaurant and a multitude of tasting centres. These are perfect for some shade and a cool drink after a morning or afternoon walking over the hills and through the vineyards.

The walking is not difficult and the views are superb. From the 1,600ft top of the Trois Croix I could see the blue hills of the Jura

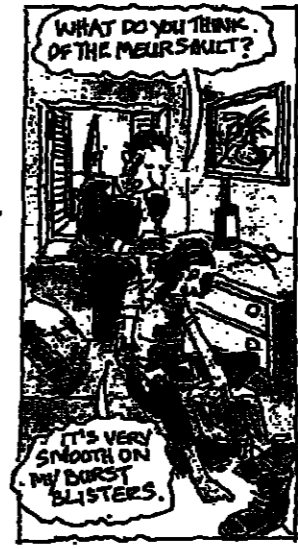
The Hotel du Centre in Meursault offered us fine food, a great choice of local wine and a picnic lunch for the following day. This day was a long one across the Montachet country and it was late afternoon before we crossed the Canal du Centre and plodded up the hill to the Auberge du Camp Romain at Chassy-le-Camp, where we spent two nights and had a day out of the boots.

The Auberge has two pools and an excellent restaurant. And the Roman camp on the ridge above the hotel was built by Julius Caesar, the well-known Roman, when he was campaigning hereabouts.

The following two days took in more history and some more pretty places, like the medieval town of Nolay and the 15th century castle at Rochepot, the one that appears on all the posters and postcards.

At Orches, we stayed in a *chambre d'hôte* (or b&b) owned by M. Rocault, another vigneron, and had the best meal of our trip at Le Vieux Pressoir in Evreux. And so, next day, down out of the rolling hills of the Cotes de Beaune, to Savigny-lès-Beaune, where we bought some wine, inspected our tans and took off our boots for the last time.

We had walked well, wined and dined superbly, and not met another English person. Just about perfect, really, and I think we may do it again.



Robin Neillands was a guest of Sherpa Expeditions, 151A Heston Road, Hounslow Middlesex, TW5 0RD. Tel: 0181-577 2717. Sherpa's eight-day Burgundy Hotel and Wine Walk costs from £685, including return flights or transport and half-board accommodation, with four-course meals at two-star hotels. Walkers will require boots, suntan oil, a hat and a large water bottle. Sherpa gives advice on what to take in different seasons.

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## SPORT



Australian Michael Lynagh making his debut for Saracens

## Rugby

# Saracens' cutting edge

Huw Richards visits a club which has quickly come to terms with the global market

**N**ew season. New players. New rules. New grounds. New money. The trouble with the changing world of English club rugby is that it starts to sound like a pestle of a Tony Blair speech. To feel that sense of change there is no need to go to a game. Try ringing Saracens, the north London club which epitomises many of the game's fresh developments.

Ring most clubs, even the biggest, until last season was a matter of locating the key volunteer individuals - press, fixture or match secretaries - generally on home numbers.

Ring Saracens and a dulcet recorded voice cuts rapidly into the answering tone: "Welcome to Saracens. If you are looking for match or ticket information, dial one. If you want..." and so on detailing a variety of customer services operating out of a business centre near their new ground in Enfield.

The English game's newly minted clubs are not hard to spot. Most sport an exotic variety of new playing recruits, with rugby league stars - reversing the trends of a century - the latest fashion item. Some clubs, Bath and Wasps for instance, are determined to hang on to the elite status hard-won over the last decade of the amateur game. Others, such as Richmond, Bedford and Gosforth, want to regain former standing. Saracens, although consistently good for the last few years, have never quite ranked at the very top - except in terms of collective friendliness.

Consistent producers of top-class talent, they have just as frequently seen their discoveries leave for clubs of greater glamour - if not invariably higher playing standards - in pursuit of England recognition.

Little wonder they have decided that it is no longer enough to be liked, and taken the opportunity provided by property magnate Nigel Wray's money to professionalise, off the field and on it, and to become compet-

itive in the world market for the best players.

Gone, at first team level at least, is Saracens' engaging shoebox of a ground in Southgate - atmospheric with a few hundred in the crowd, downright claustrophobic with a couple of thou-

sand. Shifting a couple of miles east down the A110, they have moved in to share with Enfield FC - an archetypal top-level non-league football arena. Neat, tidy, evidently cherished, its 8,000 capacity ensured a real novelty for veteran Sarries followers - ample seating for everyone who wanted one when Gloucester were the visitors last Saturday.

The size of the crowd was evidence that they are tapping into new potential support. A jazz band welcomed early arrivals. A new club mascot danced around the pitch wielding a curved sword. And the Saracens team arrived with some impressive weaponry of their own in the shape of the summer's recruits.

Long accustomed to taking their pick of the talent from clubs such as Woodford, Bishop's Cleeve and St Albans, money has allowed them to widen their net to take in Agen, Dungsannon, Limerick and Brisbane.

Only the injury to Michael Lynagh stopped them fielding the all-time record international points scorer alongside the most-capped test player, Philippe Sella of France. And there were six other international imports on view.

The Sarries phenomenon was emphasised by the opposition. Gloucester have drawn for more than a century on huge depths of local talent and identity. They have struggled in recent years as a national market developed in players, drawing the best to the top few clubs. Now they have to cope with incipient globalisation, and the big money on offer from London clubs.

For 40 minutes, drawing on the cohesion and resilience apparently inborn in Gloucester teams, they coped very well. The hand might have summed up Saracens' early efforts with a rendition of "Getting To Know You". But once Ireland prop Paul Wallace had courted suspension from the front row with a solo try, going 25 yards to the corner via a classic side-step, soon after half-time the all-stars

were firmly on top and finally demolished Gloucester.

Here was the best early argument for union's new dispensation - the liberating effects of rules changes and the positive attitude of both teams. It is not that defence was neglected. But both teams were consistently looking to make and take opportunities, to keep the ball in the hand rather than kicking for touch.

It was set instructive to hear one spectator, a soccer fan giving rugby a try, say afterwards that it was a bit stop-start. But the bulk of the audience were vocally appreciative of the game's fluency.

It is far too early to be sure that the imperative to entertain, vital if the game is to attract the new fans its economics demand, will at last start to prevail against previously endemic percentage-play. Heavy grounds and relegation fears will exert countervailing pressures as the season progresses.

And Saracens have only just begun a battle on several levels. One, begun well, is to move up a level to join the very best. Another, also with early promise, is to attract and retain an audience far larger than the suburbs of Southgate. But this involves a balancing act. Clear-eyed professionalism has arrived to stay.

But as Clem Thomas, a great player and distinguished journalist who died earlier this month, pointed out in one of his last articles, fun and fellowship are integral to rugby's appeal.

The challenge for a club which has epitomised these values is to win consistently without sacrificing them.

Soccer / John Perlman

## Hunger for Leboeuf

**A**fter another week of political wrangling over British cattle, it is perhaps fitting that this weekend's most intriguing Premiership match could turn on the qualities of an imported Berger on the one hand and a French Leboeuf on the other.

At the start of the season, many regarded Liverpool as the club best equipped to challenge Manchester United for the title. But with last season's explosive strike partnership of Robbie Fowler and Stan Collymore (55 goals between them) failing to reignite, and man-markers tracking Steve McManaman from the moment he left the team bus, Roy Evans's team in attack had been looking more gum than tooth.

In a rare shopping trip abroad Evans had paid Borussia Dortmund £3.25m for the attacking Czech midfielder Patrik Berger, but it was not until halfway through Liverpool's sixth match of the season, against Leicester on Sunday, that he was finally given a run. Berger scored twice - pacy runs, fierce left-footed shots - and a 3-0 win took Liverpool to the top of the table.

This afternoon, they put that lofty position on the line at Anfield against a Chelsea team whose current position two points behind owes much to the imperious form of their French sweeper Franck Leboeuf. In a transfer market where most real business starts at seven figures, the 29-year-old Frenchman looks like an inspired bargain buy.

Leboeuf arrived in the Premiership overshadowed at Chelsea by Gullit's Italian signings Gianluca Vialli and Roberto di Matteo, and with little advance publicity for his ability - a member of France's Euro 96 squad, he never once budged off the bench. And yet Leboeuf has, with Middlesbrough's Brazilian midfielder Emerson (another signing initially overshadowed by a more expensive Italian), been probably the most influential of the new foreign imports to the Premiership.

In defence, his tackling has been sharp, clean and strong and his positional sense superb. Leboeuf is an exceptional passer of the ball and ever eager to lengthen his stride and quicken the pace as he surges forward with the ball at his feet. As if

that's not enough, Leboeuf - with three goals - is Chelsea's leading scorer.

His main task at Anfield, though, will be to provide Chelsea's defence with a strong central axle on which it can turn and adjust to Liverpool's attacks. Berger, who likes to use his pace and elusive dribbling from deeper positions, will be harder to pick up than most and will test Leboeuf's ability to organise the players around him.

It is an intriguing duel for the neutrals, a critical one for the partisan, but it also highlights a rather important aspect of the ongoing debate about the role of foreign players in the Premiership.

Berger is a class act, no doubt about that, but you could argue that there are English players who can fulfil the same role with similar ability. Not so the ball-playing adaptable central defender whose skills Leboeuf has been providing a masterclass in.

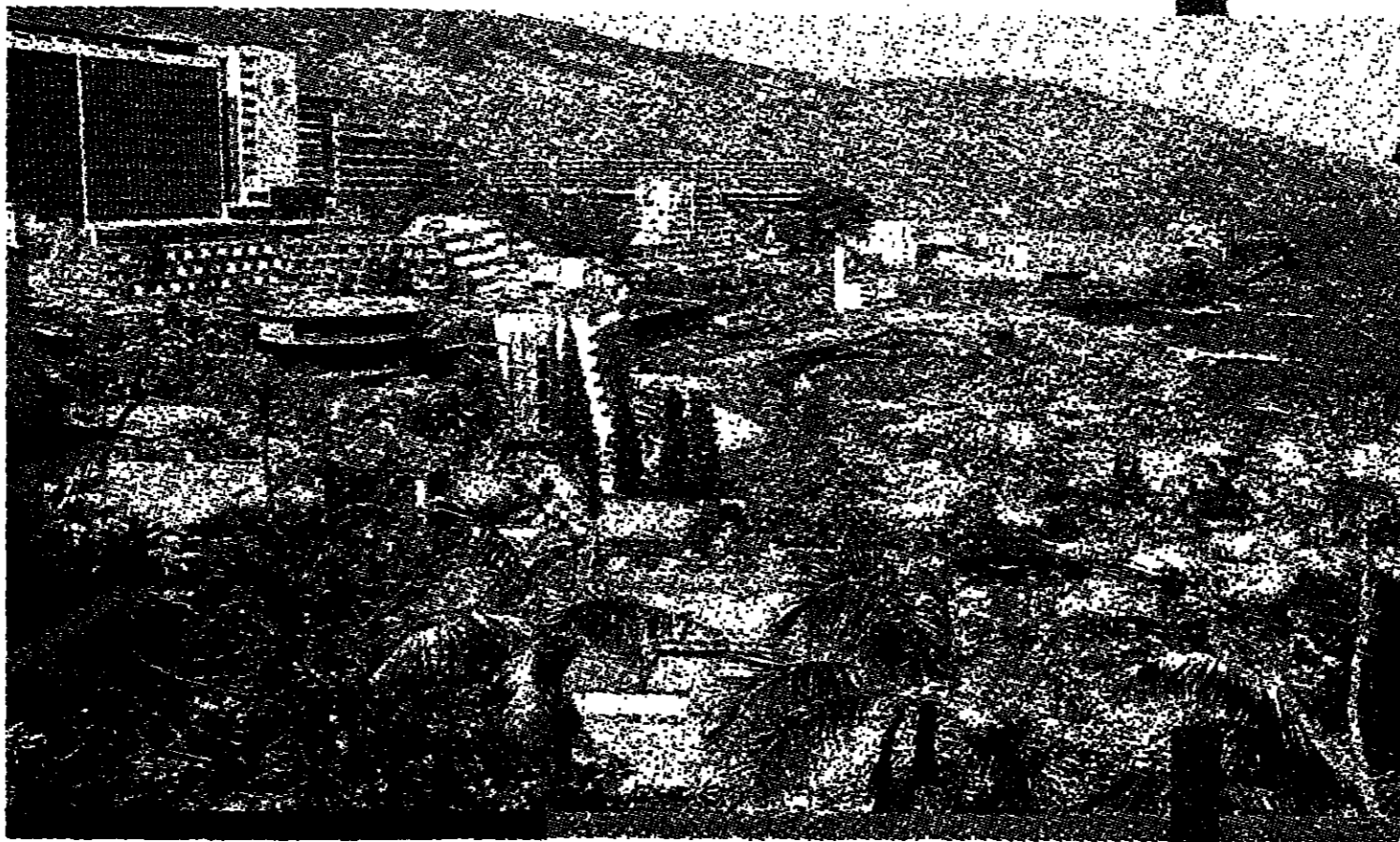
It is a rather important position. As Manchester United prepare for next Wednesday's Champions League match against Rapid Vienna, still smarting from their defeat by Juventus 10 days ago, Alex Ferguson was making a last effort to buy Miguel Angel Nadal, the Spaniard whom he hoped might do for his team what Leboeuf has done for Chelsea.

At least Ferguson has the option of shopping duty-free - there are no English candidates who seem to interest him. Glenn Hoddle, who names his England squad on Friday for the October 9 World Cup qualifier against Poland at Wembley, has no such flexibility.

Hoddle wants to build his defence - and in effect his playing system - around an attacking intelligent sweeper like the 28-year-old Frenchman. But at the moment, Leboeuf Anglaise is in short supply.

Two of the leading candidates, United's Gary Pallister and Gareth Southgate of Aston Villa, are up for direct comparison at Villa Park this afternoon. But six days ago Southgate was up against Leboeuf when Villa went to Stamford Bridge. It would have given Hoddle some idea of how hard he is going to have to look. There was, for all Southgate's strivings, simply no comparison.

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MOTORING

On Test

# Rivals under the same roof

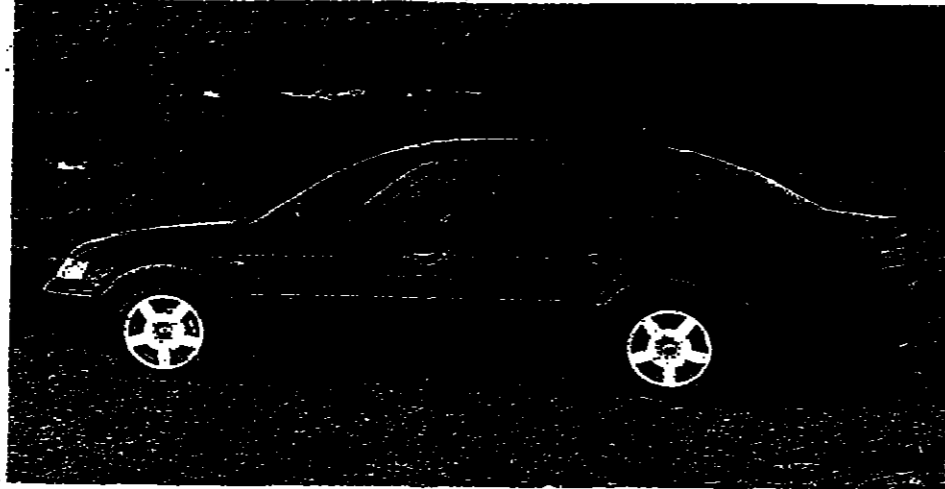
Stuart Marshall drives the new Passat and finds the latest Skoda is certainly no joke

**A**n automotive group with four different marques knows that it covers most of the market from cheap run-arounds to large luxury cars. The downside is that the cars may end up taking sales from one another as much as they do from their rivals.

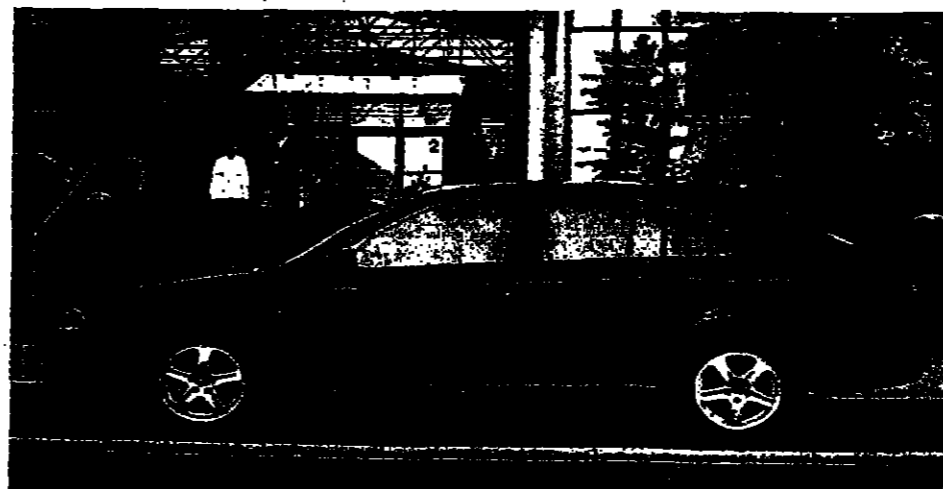
Volkswagen Group's four marques are Audi, VW, Seat and Skoda; its two latest models, the new VW Passat and Skoda Octavia. The Passat is good enough to tempt Audi A4 buyers to trade down and save a little money. And the new Skoda Octavia could similarly seduce potential Passat buyers who are being leashed on by their bank managers.

There would be some loss of perceived social status but not of very much else because the Passat feels and goes like an Audi A4 and the Octavia feels and goes like a Passat. Which is not surprising: under the sheet metal there are more similarities than differences. Chassis platforms, engines, transmissions and suspensions are mixed-and-matched among most VW Group cars. The Octavia's mechanical bits and pieces are the same as the new Audi A4's.

Officially leaked pictures of Passat and Octavia had made them look very much alike. They are less so in the metal though still clearly related. The Passat, which is



A New VW Passat: good enough to be an Audi A4 alternative



Skoda Octavia: a European car to sell at South Korean prices

about 20cm (7in) longer than the Octavia, has some of the Audi A4's roundness, with just a hint of the old VW Beetle's drooping roofline. And the Octavia looks a bit like a Rover from the front: an Opel (Vauxhall) Vectra in profile, but is still clearly of the Passat family.

I drove the Passat in and around Dresden, where bil-

lions of D-Marks are being spent on new buildings and restoring old ones devastated in the second world war. The roads, though, are still much as they were in west Europe 40 years ago. Around the Skoda plant at Mlada Boleslav, where I sampled the Octavia the following week, main road surfaces were much better but

there were still enough cobblestone stretches to prove that both cars rode well on the rough.

Eventually, there will be Passats with five and six cylinder engines, but the range at present is limited to 1.6-litre and 1.8-litre petrol four-cylinder units and VW Group's formidably good 1.9-litre direct-injection turbo-

diesel. Passat interiors are a touch classier than the Octavia's; both cars have seats that would be nicer if softer. Rear passengers do better for leg and knee-room in the Passat than the Octavia but the Czech-built car has an impressively large boot.

My driving experience of both cars is limited to about 70km a piece in two models -

one petrol, one diesel - of both marques. (On foreign press launches, more time is usually spent getting there and back watching elaborate presentations than behind the wheel.)

So, until I have lived with both Passat and Octavia for days rather than an hour or two, what can I say? That the 1.6-litre, 100bhp petrol

engined entry models were quiet and refined at moderate speeds, becoming rather buzzy due to low overall gearing at 130kph/81mph.

And that the 1.9-litre turbo-diesel engined models (110bhp in the Passat, but only 90bhp in the Octavia) were better all round. With massive pulling power at low engine speeds they were

as lively as the petrol engined cars in town, as quick to overtake in the country. Higher gearing made them more relaxed at motorway speeds.

The VW 1.9TDI is the most efficient engine in production; both Passat and Octavia will be capable of averaging over 50mpg (5.65 l/100km). Passat turbo diesels will be available with automatic transmission.

Four-cylinder petrol and diesel Passats go on sale in Britain at the end of next month. Prices are still secret but Volkswagen GB says they will let it compete head-on with such fleet favourites as the Ford Mondeo and Vauxhall Vectra. Up-market versions with five and six-cylinder engines follow; Passat Estates will be unveiled at Geneva in March and go on sale soon after.

Although sales of the Octavia in left-hand drive markets start this autumn, Britons will have to wait until early next year to take advantage of its best European technology at South Korean and Malaysian prices.

Forget all the old Skoda jokes. (Question - what do you call a Skoda convertible? Answer - a skip.) The new Octavia will be able to look any of its rivals straight in the eye while it undersells them. The price differential could be anything between 15 and 20 per cent.

## Electric car with a buzz

From Scalextric to the real thing. Haig Simonian reports

**M**y first electric car was, of course, a Scalextric model racer. Bought as a bribe for some now-forgotten exam victory, it provided a miniaturised taste of the potential of things electric.

I felt a twinge of memory whipping round the curves at the Montefontaine test track near Paris this month in the EV1. General Motors's first commercial electric car, soon to go on sale in parts of California and Arizona.

Spectacular Scalextric-style crashes were fortunately avoided, although it was I did notice an occasional wobble in the voice of my passenger, Vincent de Rooij, an engineer from GM's Delphi components subsidiary, as we careened towards a junction at nearly three times the 45kph limit.

Excessive exuberance behind the wheel is a common fault when novices drive the EV1, according to Bill Fink, European technology director of GM's Delco electronics subsidiary, which invented the multiphase propulsion system driving the vehicle.

"Most people are not used to cars which are so quiet. On top of that, people tend to drive aggressively at first to see whether their preconceptions about electric cars are true."

Most preconceptions are negative. Motorists normally associate electric cars with milk floats and the like. Practical, but dull. So vehemently do GM's staff strive to avoid such comparisons they unwittingly emphasise the link.

The EV1, however, cost about \$360m to develop and is the first purpose-built electric car in decades. Many car makers have built electric vehicles but most are converted from existing models, mainly vans, although in the early 1990s Peugeot produced a batch of electric 106s.

The EV1, however, is a stallion. The main reason is that it has been conceived as electric from the start. Spurred by the threat of new environmental laws in snow-ridden southern California, which would have forced volume car makers to sell a rising proportion of non-polluting cars, the EV1 represents the latest thinking on electric power.

That means low drag and low weight to stretch its range, yet, like other electric cars, distance is the EV1's

Achilles' heel. Driven gently in a warm climate, it can manage about 90 miles. Push it, as I did in Paris, or expose it to the harsher climate of Massachusetts, another state planning tough anti-pollution laws, and the power in its batteries drops alarmingly.

Its energy-saving properties are what make the car so striking. The EV1's squashed lozenge shape reduces air friction and from its sharply raked windscreen to the deeply rounded rear screen, the car is all curves. Combined with its flat floorpan (the EV1 has no exhaust system to disturb the airflow under its body), such features give it an air-cheating 0.19 drag coefficient - lower than any car on the road.

The latest model is a refined version of the unfortunately named Impact, which GM has been testing on selected consumers for some time. Like most Impact drivers, my first impression of the EV1 was favourable. Its quietness and power stand out. Not as quiet, though, as the Peugeot 106: the EV1 I drove had an intrusive whine. But its power, and especially the torque (pulling power) from its 137 brake horse power engine, was its most impressive feature alongside the cinematic instruments.

**T**he stress on power - reflected in a 0-60mph acceleration time of 8.5 seconds and an electronically limited top speed of nearly 80mph - was part of the design remit. Although California's introduction of non-polluting vehicles has been delayed until the next decade, GM says the EV1 is a commercial proposition.

The car will soon be available through the group's trendy Saturn offshoot. GM is minimising the risk of a flop by leasing the EV1 to customers, rather than selling it. That should help overcome the resistance of the estimated \$35,000 price tag and allay fears over the cost of replacing the EV1's expensive, but ephemeral, lead-acid batteries.

Overall, the EV1 is sporty, accelerates briskly and has good road-holding. It is slightly marred by spongy handling, with a distinct roll caused by the 522kg of batteries and imprecise US-style steering.

Until battery technology progresses, the EV1 may struggle to be much more than a curiosity.



## SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

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But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

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United Nations High Commissioner for Refugees

Models courtesy of THE LEGO Group



EV1: exuberance is a common fault when a novice takes the wheel

FASHION



□ From left: A selection of ties from a collection of 2,000 owned by one person, £100-£500 per lot of approximately 20 to 30 ties.  
 □ A purple, three-piece suit, complete with horizontal stripes and flared trousers, by Tommy Nutter, circa 1970. Estimate £150-£200.  
 □ A voluminous pirate shirt and shorts from Vivienne Westwood's seminal 'Pirate Collection'. Estimate £150-£200.  
 □ A pair of canary yellow, see-through plastic boots by Mary Quant, mid-1960s. Estimate £200-£400. From the Christie's sale of Street Fashion, Costume and Textiles.

# Second-hand roses in demand

Damian Foxxe and Libby Sellers on the growing market in clothing auctions, which is starting to compete with modern collections

Clothing auctions have become big business. While the market for costume may never yield the prices of fine art, it is nevertheless increasingly lucrative. In 1971, the record for a garment sold at auction was just under £1,200, for a 1740s embroidered wedding dress. Now it is £60,500, for an early 17th century gentleman's silk doublet, sold by Christie's in 1989.

Later this month, the clothing battle lines will be drawn when London Fashion Week, the biannual ready-to-wear collections, coincides in South Kensington, London, with the third annual auction of costume and jewellery by Christie's.

Contemporary designers seem bogged down, obsessed with reviving the past. Yet, all the while, the original is there for the bidding, at a fraction of the cost.

"The trade is brisk at present. Private and trade collectors are eager for garments from a century that is about to end, driving the already competitive market for antique clothing. Museums from Japan to Norway want



From left: waistcoats from the Williams-Wynn Collection, from Sotheby's sale in November. A Pierre Cardin 'wet look' black patent, tear-shaped shoulder bag set with a metal sphere, late 1980s. Estimate, £150-£200

Lacroix and Jean Paul Gaultier. "Designers buy from me to study the garments and use them as tools for learning, just as Francis Bacon would have gone to the National

Gallery to study Velazquez." For serious collectors of haute couture, the top labels include Balenciaga, Schiaparelli and Madeleine Vionnet. Vionnet may not be a household name, but Christie's

sold a beaded creation for £26,000 in June 1995. More affordable, yet equally collectable, labels include Christian Dior, Givenchy, Yves Saint Laurent, Vivienne Westwood, and Chanel.

Patricia Frost, an associate director of Christie's who specialises in costume and textiles, says: "The key to buying successfully is to find something that is distinctive and eye-catching. If a dress turned heads in the 1950s, it will still turn heads today."

Isabella Blow, stylist and contributing editor of British Vogue, agrees. "Couture is making a huge comeback. With the approach of the millennium, I think people want to own something that will never be created again. The biggest joy of it all is that you can actually wear these clothes and look even more contemporary and modern than in the clothes of today."

"With haute couture, the interior of the garment is as important as the exterior. It makes you feel important, as well as individual. When I look for old couture clothes, I am looking for beauty, cut and the architecture of the



mendations, the buy-to-wear auction market remains relatively untapped. For some, the thought of wearing what is essentially second-hand clothing is unacceptable. For others, the prospect of procuring them remains prohibitively daunting.

Suzy Walls, of Christie's, says: "Although people can try certain garments, there are no changing facilities. We do, however, have an expert on site at the previews. My advice would be never to buy anything because you think it will increase in value, buy it because you like it."

Taylor adds: "The problem, with haute couture particularly, is that it is made to fit one specific woman. When you are considering tightly boned, fitted, 1950s garments, you can run into problems." Her advice is to size up, as it is always possible to get something taken in or up. But remember, changing a garment, regardless of how subtly, will lower its value and change its intrinsic design qualities.

Alteration is also difficult to do. You may like the 1920s, but few women today have the flat-chested, pencil-straight bodies of that era. Similarly, few women suit the hour-glass shape of Dior's New Look from the 1950s. It is better to be realistic than disappointed.

At Christie's, with the increased emphasis on the sale of more contemporary fashions, the buy-to-wear market has begun to develop. "We get a very wide customer base," says Walls, "particularly for our annual street fashion auction, where we clear as many as 250 lots. Our most popular labels are Vivienne Westwood, Mary Quant, Paco Rabanne and Courreges, with a particular interest in Biba following the re-launch of the label earlier this year."

Much of the street fashion reflects the changing social attitudes and lifestyles over three decades, from 1955 to the late 1980s when high fashion moved away from the exclusive and extravagant designs of couture houses in Paris, London,

Rome and New York to styles which originated on the streets.

In September last year, a pair of Vivienne Westwood/Malcolm McLaren tartan bondage trousers (complete with bum flap) sold for £450, and a collection of T-shirts from the late 1970s fetched up to £300 each. Jane Mulvagh, Westwood's biographer, attributes the designer's popularity at auction to the type of person bidding for the clothes.

"The buyers," says Mulvagh, "are predominantly of the new rich meritocracy - actors, film stars, writers. For them, Westwood's clothes epitomise the era that is still strongly perceived as the greatest youth culture movement to date."

Says Taylor: "People want things that typify a period, benchmark pieces. It is not enough to produce beautifully tailored, understated and elegant pieces. The thing that makes the whole business go around is how extraordinary and how extreme fashion can be."

Fabric technology may have modernised and aided the appropriation of styles from bygone days, but they will never compete with the original. The techniques of modern fashion sacrifice the individuality once associated with fine clothing. The thrill of owning a hand-stitched Balenciaga gown or an authenticated Westwood/McClaren T-shirt gives as much, if not more, satisfaction than any contemporary reproduction.

Clothes auctions mean that true sartorial originality is now an affordable investment.

■ Street Fashion, Costume and Textiles at Christie's of South Kensington. Auction: Tuesday at 2pm (tel: 0171-381 3120/3131/3122). Viewing: Monday and Tuesday, 9am to 7.30pm.  
 ■ Sotheby's Sale of Fabric: Swatch Books, Fine Costume, Haute Couture, Fashion Designs and Country House Textiles. Auction: Thursday November 7 (tel: 0171-787 2831).

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# Residential Property

A SPECIAL WEEKEND FT SUPPLEMENT

## The pleasures of living in the past

Anne Spackman talks to Sir John Harvey-Jones about his houses

If there were an Elizabethan Home-Owners Club of Britain it would probably elect Sir John Harvey-Jones as its president. Sir John can hold forth on the splendours of oak and Aga with the same passion he exudes for widget-making or the Royal Naval College at Greenwich. Elizabethan architecture is his firm favourite, with Regency coming second. Much of his time and money has been spent propping one, or the other, up.

It all began in 1968 with a converted water-mill on the North Yorkshire moors above ICI's Teesside base. "Apart from tea rooms and Anne Hathaway's Cottage I had never seen timber buildings before," Sir John, a former ICI chairman and business troubleshooter, says.

"This was oak-beamed, it was in a marvellous location with no other houses in sight and a stream running through the grounds. We used to be able to sit in our drawing room and watch the salmon jumping. That house started the whole thing off."

Since then, there have been two Elizabethan gems, one in Essex and one in Herefordshire, with a Regency in-between. This year he has bought Regency again, in Herefordshire - "the ultimate sacrifice, but then, as somebody wisely observed, with property, location is all."

He expects this move to be the last. "We have downsized as befits old people," he says wryly. "The trouble with Elizabethan houses is that they can be too large. My wife and I are at the stage where we are worried

that one of us will die - the shelf life of a retired executive like me is about six months. I didn't want Betty to be in the position of having to leave the home we had built up together."

That last house was "the splendid Grade I Rudhall. It was a most beautiful house," Sir John recalls, "absolutely magical. It was built in 1900 and had been lived in continuously ever since. Nelson had stayed there - and he is a great hero of mine. He came to the area to select oaks for his ships."

Rudhall sold within an hour of being put on the market to the first buyer. **They are masters at dealing with rot and deathwatch beetle**

who saw it. The new owner has plenty of enthusiasm but no experience of living in an Elizabethan house. "For him it is the beginning of a journey," Sir John says, "for us, it was the culmination."

Both Sir John and his wife grew up in families based in colonial India. Neither had anywhere in England to call home. That rootlessness persisted while he was in the Navy. In 1968 the move to the mill on the moors gave them a chance to put down roots and establish a pattern of life which has continued ever since. "Put us down anywhere and we burrow in like moles," he says.

They go for remote houses, usually in need of restoration, which continues until the day they leave. "It amazes them how the English moneyed classes still rub along with one freezing bathroom and a poky kitchen."

They try to restore the structure as authentically as possible, while installing modern necessities such as central heating. "Having an Elizabethan house doesn't stop us putting in spanking new bathrooms and kitchens," Sir John says. "I want to live in the place. I want to be warm. One of my hobbies is cooking, so I want a really spacious kitchen - but with an Aga rather than an Elizabethan open fire."

They are past masters at dealing with the familiar enemies of dry rot, wet rot and deathwatch beetle. "Woodworm? I eat woodworm for breakfast."

Sir John says if you poke around too much you simply unearth more trouble. But if you leave places, something far worse can happen. One night before he was due to go on a six-week visit to the Far East the entire wall of their house in Essex fell down. "I had to go, but I didn't much like leaving my wife protected from the elements by nothing but a sheet of polythene."

But these pains are more than compensated for by the pleasures of living in a beautiful period house. Sir John lists the main joys as being the warmth of the oak, the location - "in those days each house of any size was located with extreme care" - and the mature trees which surround you. "The downside

of Elizabethan houses is that they are often dark, whereas Regency houses are light and open to the gardens."

"We have never taken any liberties with our houses," Sir John says on a more serious note. "We spend a fortune restoring them and loving them and cherishing them. At Rudhall we had what some people believe to be the finest bargeboards in Britain. They had had no treatment, yet they were still solid - you couldn't bang a nail into them. It's unbelievable how oak houses last."

"But Elizabethan houses are 'wary unforgiving,'" he says. "It is very difficult to light them sympathetically. You can buy very old chandeliers, but they're very expensive. Everything about Elizabethan houses is expensive. You spend the whole of your life and wealth propping them up. It's not a game for anyone who hasn't got access to money."

Many Europeans find this English willingness to sacrifice so much in the cause of preservation as eccentric as our fondness for warm beer. Why not, they ask, buy a new house?

Sir John shakes his head. "As a race we tend to be backward looking - but then we have some glorious things to look back on. When you live somewhere like Rudhall it gives you a feeling of being a part of old England."

"Each house my wife and I have owned, we feel we have saved for another 20 or 30 years," he explains. "It's like planting trees. It's a bit of immortality. You have to put something back," he says.



Sir John Harvey-Jones, lover of old England, in front of the market hall, Ledbury.

Ken Lee-oh-Bar

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The Isle of Man has significant taxation advantages: low income tax, no capital gains tax and no inheritance tax.

Joint Agents: Chrystals, Isle of Man (01624) 812236 Knight Frank, London 0171-629 8171

(04/129615)



### Italy, Lucca

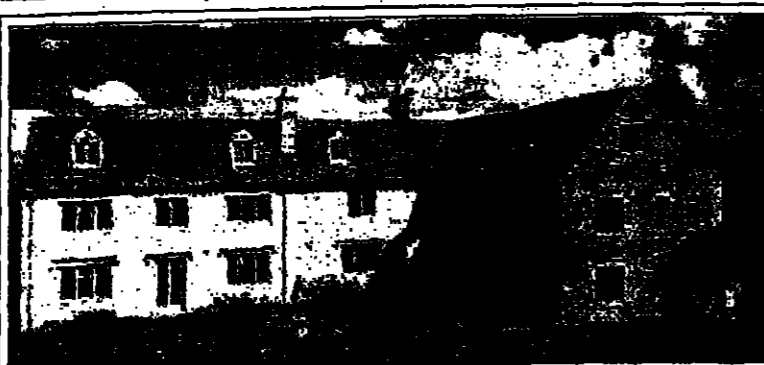
A beautifully restored country house situated in the hills above Lucca

Reception room, dining/billiard room, kitchen/breakfast room, utility room, cloakroom, master bedroom suite with library, 4 further bedrooms, 3 further bathrooms. Chapel. Farmhouse providing staff and guest accommodation. Artist's studio. Beautiful terraced gardens with swimming pool. Extensive woodland olive groves. Recently established arboretum.

In all about 7 hectares

Joint Agents: Lello Deghe, SER. IMM. s.a.s., Lucca (00 391 583 495 296  
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### Wiltshire

Highworth 3 miles. Cirencester 12 miles. M4 (J15) 7 miles. (Distances approximate)

An attractive residential estate with stunning views over the Wiltshire countryside

Grade II listed Cotswold stone farmhouse with 3 main reception rooms, 6 bedrooms, 4 bathrooms, Swimming pool. Secondary house with 4 reception rooms, 4 bedrooms. Extensive range of equestrian facilities including stabling for 25 horses and an outdoor all-weather manege. Productive and well fenced pasture land.

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(04/129129)



### Hertfordshire

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Mansion, stable block, chapel and ancillary accommodation extending in all to about 6,053 m<sup>2</sup> net internal. Gate lodge and 3 further cottages. Currently in use as offices but with potential for institutional, hotel or residential uses subject to all necessary consents.

In all about 110 acres (44.52 hectares)

Apply: London 0171-629 8171

(04/129129)



### Perthshire

Perth about 13 miles. Edinburgh Airport about 50 miles.

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London Tel: 0171-629 8171 Fax: 0171-493 4114  
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RETIREMENT HOMES

# Rise in demand for top quality housing

Gerald Cadogan on the latest developments for older buyers

If only we had come sooner," is the comment Noel Shuttleworth, pioneer of retirement housing in the UK, hears most often. What do the occupants of his English Courtyard Association developments mean? They suddenly realise, he thinks, that "they are free of property obligations" and have time for grandchildren and leisure, while the management company takes care of maintenance.

"This business is about freedom," he says. "And it is our moral responsibility to keep people as long as possible."

That means designing accommodation that is easy to adapt as people get older, especially as more people are buying younger, even at 55 (the usual minimum age for retirement schemes). "Those around 70 who are still active derive most benefit." Cottages are planned for occupants to live wholly on the ground floor if infirmity strikes them, and stairs are built to take a lift. "We aim to provide services, but not look geriatric."

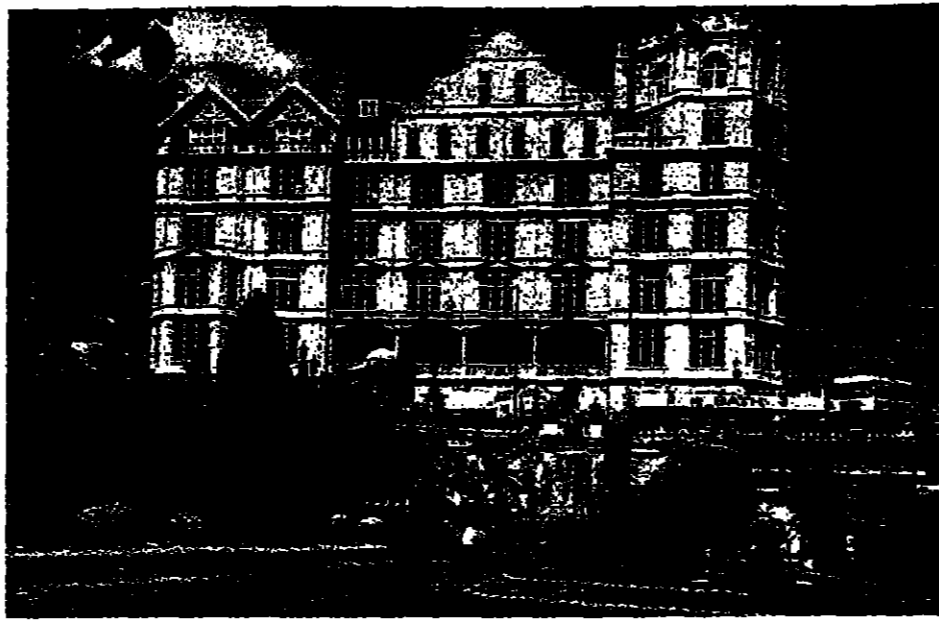
Wide doors for wheelchairs and electricity sockets at waist height are standard, and in the new ECA scheme at Mytchett Heath, in Surrey, the drawing room ceiling conceals joists for a wheelchair lift straight into the bedroom. It is easy, if

necessary, to cut back the plaster and put lifts in. A courtyard or quadrangle is the usual layout for top-class retirement housing specialists such as ECA, Beechcroft and Pegasus. It can hold apartments and terrace "cottages" and gives a sense of community. But no two schemes are the same. Most include a small private garden for cottages as well as the communal garden.

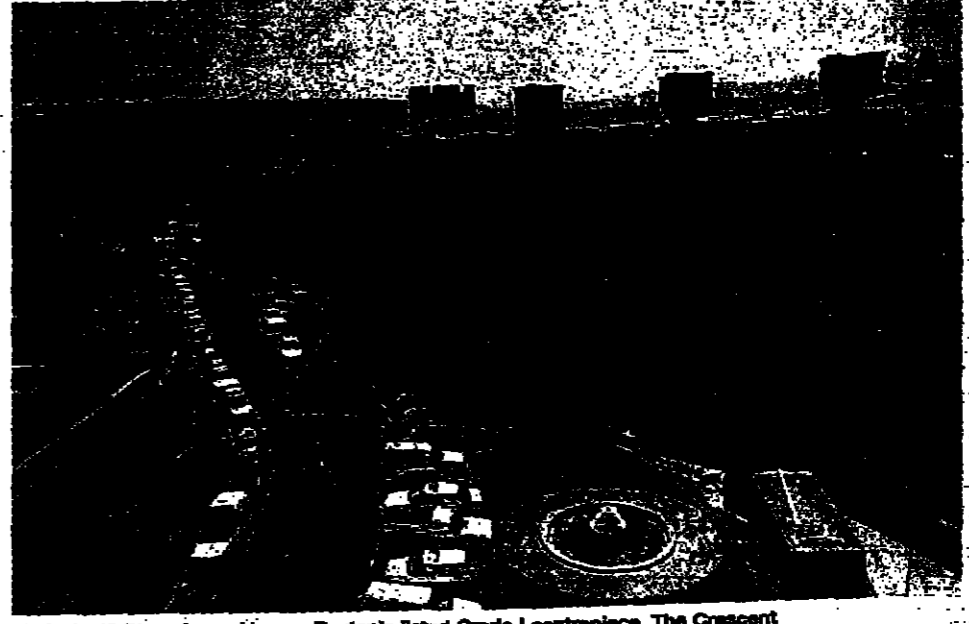
All schemes have someone on call, generally a warden or manager, 24 hours a day, but the companies stress that they are not nursing homes - although they are happy to arrange for the doctor and nurses to visit. Other options may be a dining room, a minibus for taking residents shopping, and guest suites. At Mytchett these suites cost £9.50 for the first night, and £2 a night afterwards for up to five nights.

Some schemes offer swimming pools but Shuttleworth does not see them as essential. People like the idea if they come in to a new scheme but, as they grow older and use them less, discontent may arise between users and non-users over the service charge.

I put this to Mike McCarthy, of Pegasus, who replied that he had coded the pool at his scheme in Oxford and found that it added only 85p to 90p a week



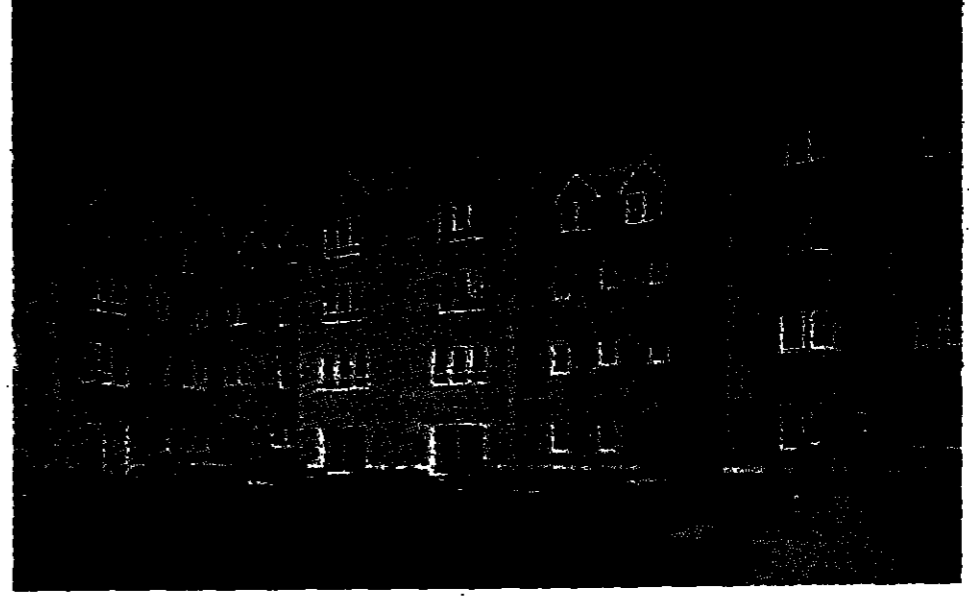
The Pegasus flagship scheme: a conversion of the Empire Hotel, at Pulteney Bridge, in Bath



McCarthy & Stone is working on Buxton's listed Grade I centre-piece, The Crescent



Beechcroft's cottages at Barton Farm, Cerne Abbas, Dorset



The Cloisters, Oxford, a development by Pegasus

to the charge, which was not worth arguing over. But it is a large scheme of 92 units which lessens the cost. Guy Mossop, of Beechcroft, reports that his pools are very popular.

The Pegasus flagship scheme, converting the Empire Hotel, at Pulteney Bridge, in Bath, does not have a pool because it could not be fitted in. But it does have public restaurants and the units are finished as far as possible to suit the residents' wishes. The local council is ecstatic, says McCarthy, seeing it as part of the renaissance of

that area of Bath. The move to steadily higher quality is a notable change in retirement housing. Buyers "want space and service," he adds, "and to influence how it looks."

The approach must be paying off since three-quarters are now cash buyers, with the rest on part-exchange; 2½ years ago it was the other way round. Pegasus had £1m more turnover in the first half of 1996 than in all of 1995, ensuring the best year since it was founded 11 years ago.

Likewise, ECA sales were up 78 per cent and reservations

100 per cent compared with January-June 1995. Demand for one-bedroom units is down. Buyers like two or three bedrooms and two bathrooms, and enough parking space. Couples now make up 40 per cent of buyers, McCarthy finds, and there are more single men: a short time ago 80 per cent were single women (including widows and divorcees). Shuttleworth recalled that his first scheme, at Pewsey, in Wiltshire, took in three clerics.

Buyers are often on the mailing list for years, Mossop says, before they decide

to move. Shuttleworth finds that almost all at ECA have heard of it from a friend or visited an ECA scheme.

His first scheme in the north is now under way at Tattenhall, in Cheshire. There is usually a choice between a new scheme or resale, which the developer administers, often for executors.

As more buy in their late 50s, appreciating the service and security aspects, the average age of Pegasus's residents is down to around 70 from 73. But all companies report plenty of healthy residents in their 70s and 80s.

And what will the next move be? Mike McCarthy is in no doubt: "Many more brown-field schemes on redundant urban spaces." Since one aim in retirement developments is to increase the density of occupation, cities are ideal locations. Shops and leisure are there to hand. He is looking hard at Leeds, London and Manchester.

■ Beechcroft, Wallingford (01491-834975); English Courtyard Association, London (0800-848895); McCarthy & Stone, Altrincham (0161-941 6255); Pegasus, Cheltenham (01242-576610).

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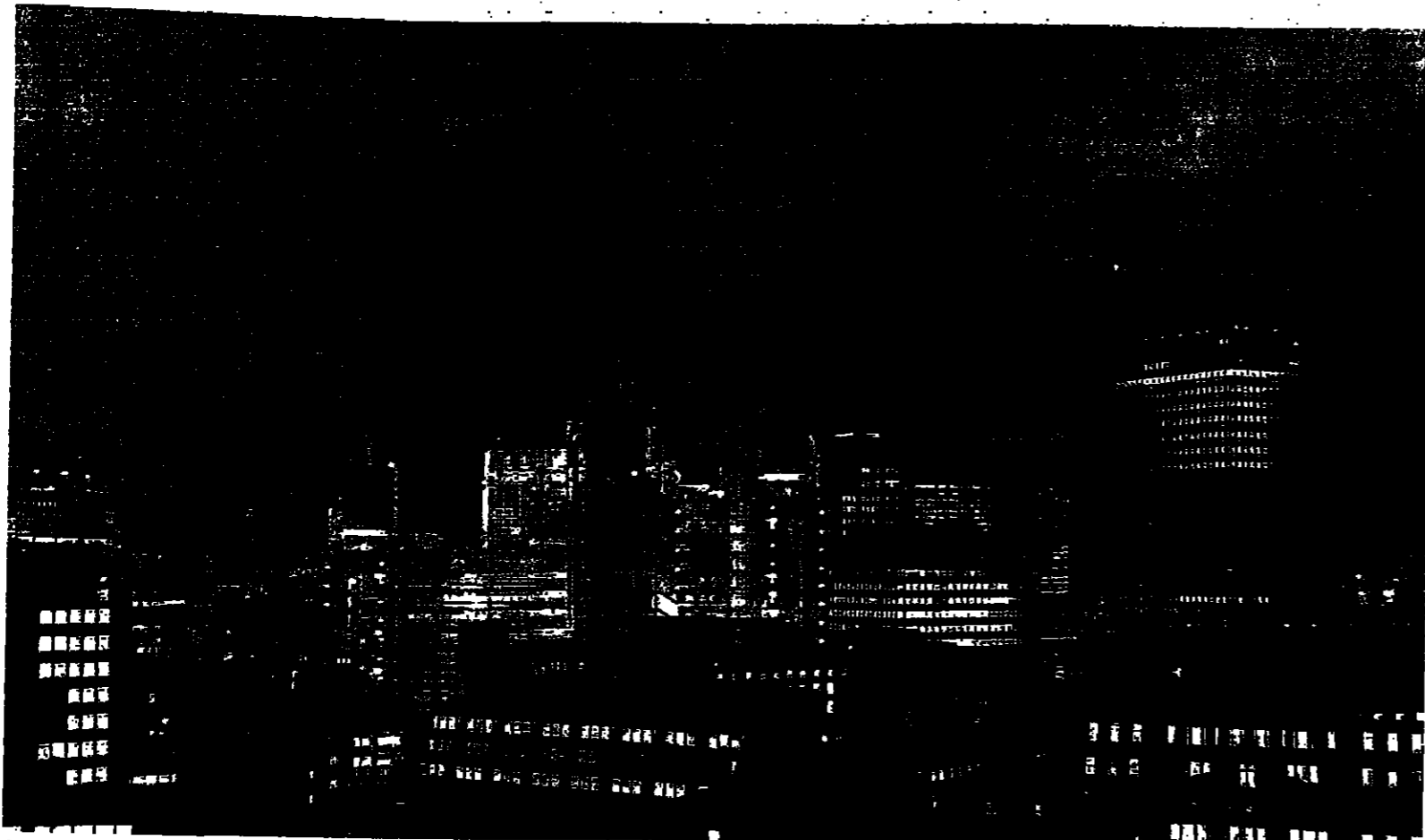
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مكتبات الصول

CITY LIFE



Commercial office space was previously so lucrative in the city that housing could not compete. It is now a different story

# A new-found interest in living above the bank

Anne Spackman looks at homes attracting bankers and business people

For the first time in 150 years the population of the City of London is rising. The addition of a few hundred new residents hardly compares to the 130,000 who populated its wards in the mid-19th century. But they do represent part of a shift in the residential pattern of the capital.

The City never recovered as a smart place to live after the Great Fire of 1666. While the merchants hurried to rebuild their commercial premises and public buildings little consideration was given to the quality or style of housing.

As Roy Porter writes in his highly acclaimed *London: A Social History*, "the phoenix City displayed little that was grand or gorgeous... the housing style was vernacular and solid - there was nothing like the new West End... the fashionable fled for ever."

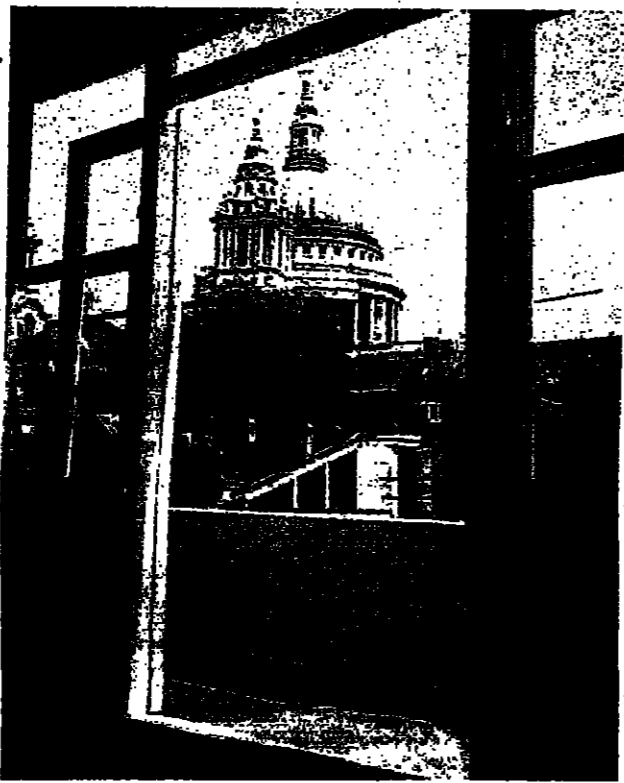
Those who are returning might not argue with that. They are buying homes in the City not because it is the smartest place to be, but because it is convenient for work. If asked where they lived, the majority would have another house to call home.

The City's new residents divide into three groups. Half are business people who have either bought or are renting their City flat as a  *pied-à-terre*  near the office. Of the rest, many are overseas bankers working in London for anything from three months to three years. Finally there are the first-time buyers, who have opted to live over the shop - or, more likely, the bank - rather than commute. It is a more concentrated version of the resident profile found further east in Docklands.

Why have these people chosen the City? It seems it is partly a result of changes in living habits and partly the result of the changes in London since the beginning of the decade.

The average working day for most of the City's new residents is likely to be 12 hours. For many, it starts early and ends when it ends, there are clients to be entertained.

"There has been a real turn-around in people's attitudes to commuting," says Suzannah Powell-Cullingford, of Hamptons, which is opening its first lettings office in the City this autumn. "If they have to be



A view from the penthouse at St Andrew's Hill (Hamptons)

at their desk by 7am they don't want to get on a Tube at 8am."

It is also the first time the City has really been an option. Apart from the architecturally-challenged Barbican - which houses half the City's 4,000 residents - there have been almost no new homes within the Square Mile until now.

Commercial office space was previously so lucrative that housing could not compete. But with poor quality office buildings attracting little interest and with land elsewhere in London so expensive, the developers are moving in.

One of the most active is St George, the London wing of Berkeley Homes. It is building the largest City development at Little Britain, a few hundred yards from St Paul's Cathedral. The scheme involves the creation of five buildings which either retain or replicate their 19th-century facades. They will contain more than 90 mainly one and two bedroom apartments, with prices at around £200 per sq ft.

St George is also involved in the redevelopment of the former Spitalfields market, just outside the City's eastern boundary on Bishopsgate. Singaporean investors bought heavily into the 130-



The exterior of The Powerhouse, Cornhill, London (Hamptons)

apartment development in May, probably convinced that the new banks on the site would guarantee a steady flow of City tenants.

Although it is styled like a traditional terrace of houses, the scheme consists entirely of apartments with a business centre and gym attached. Hamptons plans to set rent levels at around £225 a week for two-bedroom,

two-bedroom flats. The first phase will be completed early next spring.

Barratt has successfully converted a number of office buildings on the City fringes. Its most recent was 'Cathedral Lodge, which lies within the Squares Mile near the Barbican. Half was sold to owner-occupiers and half to overseas investors in Hong Kong and Singapore, who are realising rents of around

£225 a week for two-bedroom flats. These developments are typically situated away from prime City sites. As Peter Sloane, of agents Knight Frank, says: "It is only in secondary office locations that the residential potential outweighs the commercial value. That is not true of most of the City which is prime commercial space."

Where developers have prime sites, prices have risen accordingly. At St Andrew's Hill in EC4 and at the Powerhouse development on Cornhill, Hamptons has let one-bedroom flats for more than £350 a week. Both schemes were sold in the Far East then let to banks such as Warburgs, which uses the flats to house bankers on short secondments.

The latest prime development is by Regalian, which is creating 11 apartments 300 yards from the Mansion House on the river overlooking Southwark Bridge.

Prices for the one-bedroom apartments start at £280,000, with the penthouses priced at £1.5m. The scheme has just been launched in London after some pre-sales in Hong Kong.

The combination of commuter resistance and commercial recession which is driving the City market has also been responsible for the

development of areas on the City fringes such as Clerkenwell and Southwark.

The difference is that the City's reputation makes it an easier address to sell to the Far Eastern investment market. That, in turn, means more tenants and second-home owners, which is likely to mean the communal niceties of restaurants, shops and street life take longer to become established.

This lack of social life has kept bankers in New York around Central Park rather than Wall Street, according to Kathryn Korte of Sotheby's International Realty. "There have been some developments in Battery Park, but investments bankers and bond traders really don't want to live in that area," she says. "They still prefer to have their  *pied-à-terre*  on the Upper East Side or Mid-Town, where there is more of a social life."

The Corporation of London is determined that those bankers who have opted for the Square Mile will not be forced to give up their social life. They are keen to establish the kinds of bars, shops and eateries springing up elsewhere in the capital. If they do, they might start attracting some purchasers who are willing to call the City their home.

# The trend away from offices

Anne Spackman on the areas which are the focus for developers

The division between residential London in the west and working London in the east is being most actively eroded in the central districts which link the City and the West End.

Places such as Holborn, Clerkenwell, Bloomsbury and, on the south bank, Southwark, which are dominated by second-rate commercial and institutional buildings, are now the focus

of developers' attention. There is a growing consensus that buildings with poor quality space and services will find no takers as offices. Instead, developers are looking to convert them into hotels, serviced apartments or residential blocks.

The pattern which began in Clerkenwell, where redundant warehouses were turned into lofts, is now spreading across what Savills describes as the mid-

town districts. In the no-man's land between Islington and the City, Metropolis is converting a 1930s office site on City Road into The Lexington - an apartment block which takes its name and style from New York. They are stripping the building to its frame, putting in car parking and a gym and high specification flats which will be marketed at around £225,000 for two-bed-

rooms. The first phase will be sold later this year through Savills and De Groot Colles.

These apartments will be almost twice as expensive as Metropolis' earlier development of a tea warehouse a few hundred yards to the north. The price differential is partly because of a few hundred yards making a lot of difference in that neighbourhood, but it also reflects an improvement in the area's residential acceptability over the past 12 months.

Calliard, the developers of County Hall, are looking to extend their coverage of central London with the acquisition of a building behind the Strand called Little Adelphi. They are also part of a consortium developing the Shell Downstream building on the south bank which is to be converted to residential use. In the City itself the market is virtually only for City workers.

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SOMERSET  
Farleigh Hungerford

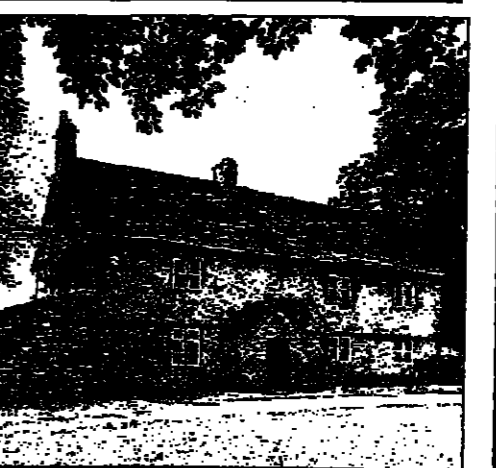
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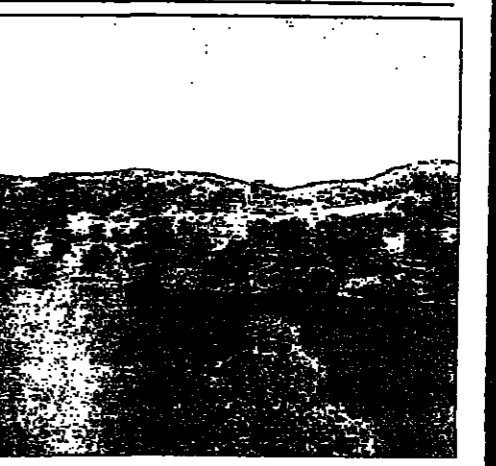
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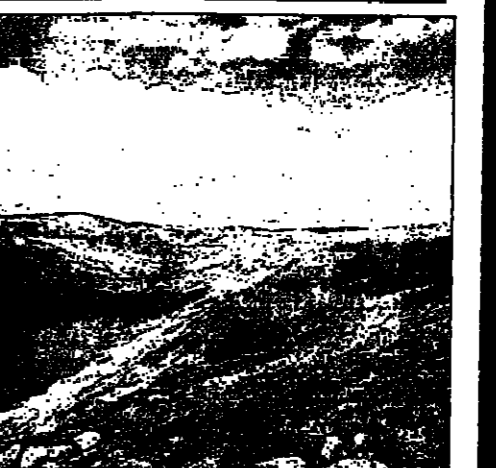
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GLOBAL LIVING

# How the very rich choose their homes

Anne Spackman considers the lifestyles of those who spend their time whizzing around the planet

For properties sold for more than £2m in London a perverse rule seems to hold true: the more expensive the house, the less time its owner is likely to spend in it. Almost anyone who can afford a £2m house in London can usually afford a country house as well, if not a holiday home on the Mediterranean, a flat in New York and a base in their home country, should they be from overseas.

There are plenty of these people and their numbers appear to be growing. According to agents Knight Frank there are 86 properties on sale in London for more than £2m. Compare this with the market just 15 years ago in September 1981, since when the cumulative rate of inflation has been 99.7 per cent. Then, the number of properties for sale at more than £1m in London was 17.

The big increase would appear to be partly because of the rise of London as a world city, attracting ever more global residents. In 1987, according to Savills research department, three-quarters of buyers of prime central London property were from the UK, with the other quarter made up of Americans, Europeans and Far Eastern purchasers.

Now UK buyers make up just half the purchasers of prime property, with the other half coming from across the globe. These figures apply only to purchasers of second-hand property, who normally buy for their own use. They therefore represent an increase in residents, rather than an increase in investors, who are concentrated in new

developments. The increase may also reflect the growth in very wealthy people who do business across the world. Their working life means they never spend more than six months of the year in any one country. How best do these global people meet their property needs?

The answer depends partly on how they make their money and partly on how much of it they make. The billionaires, the richest of whom normally have oil-based wealth, may well not care if they own homes they have not visited for years, as long as their investment looks secure.

## Show business stars from overseas are responsible for some of London's most spectacular rentals

Middle Eastern buyers, who make up 7 per cent of the market in London, tend either to buy a large house in Hampstead or an apartment in Mayfair plus a house in Surrey or Berkshire for their English base. The Bishop's Avenue, Hampstead's best known billionaire's enclave, is uninhabited for most of the year. The Mercedes and BMWs only appear in summer. For the rest of the year the only residents are staff.

Trevor Abrahamson, operates Gantree Estates agency

in that area. He says many Middle Eastern buyers look on London as a good place to buy property in the same way people might see Milan as a good place to buy suits. "It is a base of convenience. It is a good insurance policy in case of trouble in their own country and it has normally proved a very good investment," he says.

But what about those whose work requires them to be in London and elsewhere? Successful businessmen make up most of the world's global residents. Lorna Vestey, of agents Knight Frank, says they buy in London because it suits their personal as well as their business lives. "We have world-famous schools and universities, good theatres, pageantry, excellent racing and, on the whole, buying property in London has proved an excellent investment," she says.

Willie Gething, of the buying agency Property Vision has done three deals at more than £5m in London this year, all of which are for clients who own many other homes. He says that for the very rich the decision to buy somewhere is based on ease of lifestyle and confidence in the currency.

"London is a destination of choice rather than purely of convenience," he says. "As Europe is the largest market in the world, London is a sensible centre of operations for global business people. Most will also own in New York, then in a holiday destination such as Gstaad, Aspen or the south of France."

"They won't buy in the Far East; they might have an office there, but they will rent a hotel suite while they



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are doing a specific deal." Many global buyers have made their money in entertainment. Perry Press, whose property company Pereds finds houses primarily for those in the music, movie and arts world, has one over-riding piece of advice: "Don't buy anywhere where you spend less than half the year, unless it costs so little that you wouldn't mind it being washed away."

Press says he used to be gung-ho about buying in the United States. Many of his British clients had American wives, the US was crucial for business and good for tax purposes. Now, he thinks they are better off renting.

"I came to see the downside of owning property in more than one country in terms of the administration involved," he says. "You have to employ a local housekeeper and security staff, you have to employ a local accountant and then you often have to employ someone to keep an eye on him. The swimming pool

cracks or the tennis court gets flooded and it all has to be dealt with. You can rent the best house for less than the cost of maintaining your own. Also rent is a deductible expense if you are working on a project."

Many of the wealthiest British showbusiness people are middle-aged men whose careers have lasted 20 or more years. They are most likely to keep a base in London and a country house near good schools and within easy reach of Heath-

row, where their family will be based. Show business stars from overseas are responsible for some of London's most spectacular rentals. Tom Cruise is said to have paid £10,000 a week for a house in Holland Park. Cher rented a flat in the trendy Docklands enclave of Oliver's Wharf. Lorna Vestey, of Knight Frank, says their unsettled lifestyles make renting a more suitable option. "The business person knows he can operate from wherever he wants to," she says. "Showbiz people have to be more mobile. They cannot say they will always spend certain months of the year here, because they might be making a movie elsewhere."

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مكتبات الامارات

# The lure of Asia's emerging cities

## Anne Spackman discovers the rising price of eastern promise

When a German businessman was murdered in Johannesburg last month, the South African-German Chamber of Commerce revealed that 16 of the 80 chief executives of German companies operating in South Africa had been victims of violent crime. It is a disastrous statistic for a country trying to rise up the list of preferred relocation destinations, particularly given that it has to compete with what is known to Europeans as the Far East.

Of all the emerging world cities to which business people might choose to move, Singapore and Kuala Lumpur are probably considered the safest. Indeed, Singapore is well-known in the US as the country which caused an American teenager to spray graffiti. You are more likely to be the perpetrator of a crime, such as smoking in the street, than to be a victim.

Business people from the US, Britain, Australia and, to a lesser extent, Scandinavia and the rest of western Europe, are increasingly moving in to the emerging cities of the Far East. Singapore, in particular, is sucking in business from Hong Kong, now only nine months away from hand-over. Those who find Singapore too expensive are increasingly moving to Kuala Lumpur, with Bangkok and Jakarta developing fast behind.

Singapore is set to more than double its city area, attracting ever more bankers, accountants, architects and entrepreneurs into its millions of square feet of new offices. An even more frenetic pace of development has been adopted in Kuala Lumpur, as Malaysia has set itself a target of becoming a first world country by the year 2020.

Singapore is, as of this



Singapore: already sucking in money from Hong Kong, which is only nine months away from hand-over

year, already there. It has the huge advantage over the others of an effective transport system. It might take 45 minutes to drive three miles in Kuala Lumpur because of the traffic congestion. In Jakarta and Bangkok it is worse. The only drawback in Singapore is that with cars costing a minimum of \$810,000 most business people cannot afford to own one.

The same is true of property. Foreigners are forbidden to own landed property, but few would want to. Singapore is a rental city for overseas workers. Most live in the prime districts, numbered nine, 10 and 11, near the main shopping belt at Orchard Road. Shirley Fane of agents Savills Galbreath, says district 16, near the airport, is also emerging as a cheaper, acceptable location.

Most middle-ranking executives pay around \$85,000 a month for a two-bedroom apartment in a popular development in a prime location such as Holland Park, Meru Saga or Spring Grove. Senior people, looking for four bedrooms-plus, might pay anything up to \$815,000 a month for a top condominium.

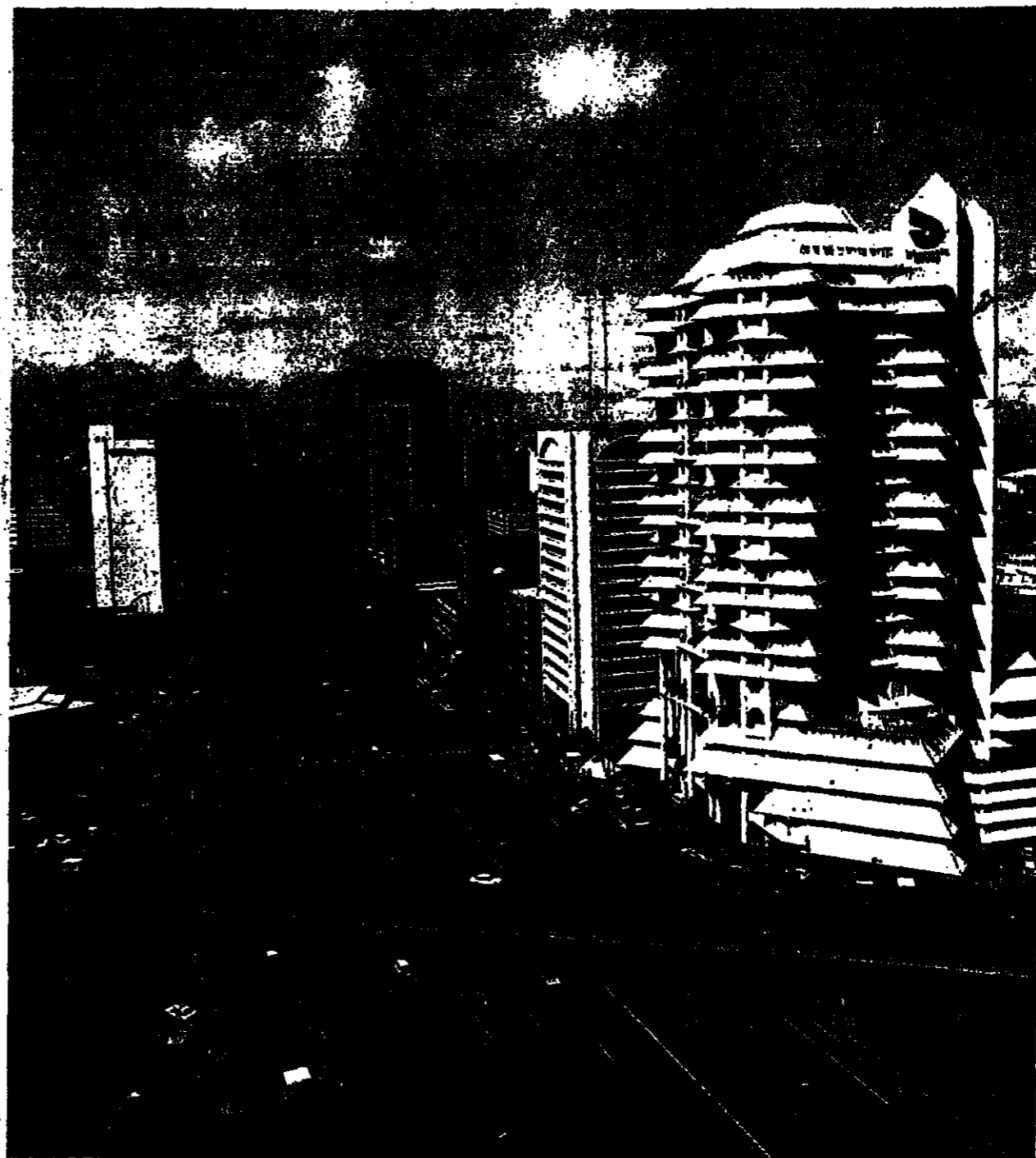
Most modern apartment blocks come with full leisure facilities, including a swimming pool, gym, tennis and squash courts. They also have secure underground parking. It is a lifestyle on offer in all Far Eastern cities.

Yn Toh, LCR's director of marketing and sales, says she is typical of the customers they are aiming at. "I am Singaporean but I have lived in the States, in Hong Kong, in London and in Brussels. When I plant myself in any city, I'm looking for the same lifestyle. The type of people who travel abroad are very different now from in the past. The English don't expect to play cricket and create a garden any more. They are younger. They want the same facilities everywhere in the world."

In Kuala Lumpur the "condo" existence can be bought more cheaply. With much more space, rental costs are less than half those in Hong Kong and Singapore. Robert Ang of Savills' associate, Rahim & Co, says a three-bedroom apartment in the prime area of Damansara Heights or the more central Ampang area would cost from 6,000-10,000 ringgits a month. In Bangsar, which is slightly cheaper, prices are from 4,000-7,000 ringgits.

But this is not the only lifestyle on offer. Expatriates and wealthy Malays often live in detached houses with swimming pools. Nick Thomson, who oversees the Far East for Knight Frank, says: "Damansara Heights is a sort of Wimbledon equivalent, a leafy area near the city. The journey to work would still be terrible, but nothing like as bad as in Jakarta or Bangkok. There it could easily take you 1 1/2 hours to drive to work."

Kuala Lumpur is hoping to ease its traffic problems with the introduction of a light railway. Phase one of the scheme, being built by Taylor Woodrow, is due to be completed by the year end. Many of Kuala Lumpur's overseas workers are involved in the construction business, either as engineers or project managers. "The huge infrastructure works



Jakarta: rentals are surprisingly high because of the demand for quality accommodation

have brought in people from across the world, but particularly from the large multinationals," says Robert Ang. "The manufacturing investment tends to come from Asian countries like Japan, Taiwan and Korea. The Asians are used to a lower quality of accommodation and tend to have lower rental budgets." Dr Stanley Quak, chair-

man of LCR Developments, says Kuala Lumpur is catching up on Singapore fast. "A lot of companies are relocating there because the office rentals and the accommodation are so much cheaper," he says. "In the last five to eight years, Bangkok has also built itself some high quality condominiums, but it has not sorted out its traffic problems. You have to live

in town near the office in order to get to work. Some people live by the water and travel that way." His company has just built a block of serviced and rental flats in Jakarta, which is a few years behind Bangkok. Rentals are surprisingly high because of the demand for quality accommodation in the prime area. Many British companies

are expanding into Jakarta and Bangkok, but their staff still tend to come out for specific projects rather than to be posted for a number of years. Bill McLintock of Hamptons International, says there has been tremendous growth in Bangkok in the last three or four years. "Jakarta is quite a long way behind, but they are both pretty exciting places to be."

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## STUDENT LIVING

If you are about to wave goodbye to your student child on the doorstep of a dingy university lodging, it might occur to you to buy them out of their residential misery.

The sight of the cheque stub covering the first £300 a month in rent your child and each flatmate is paying for a hotel is likely to reinforce the idea. Why not buy something better and rake in the rent yourself?

Nearly 40,000 UK parents have taken this step. They have either given their children the money to buy for themselves or bought the property as their own investment. About 2.5 per cent of the 1.6m student population are in this position. Should you follow?

The two most important considerations are the location of the university and the length of time you wish to keep the property - unless, of course, you are rich enough for all financial considerations to be secondary to the question of whether or not it is good for students to rough it.

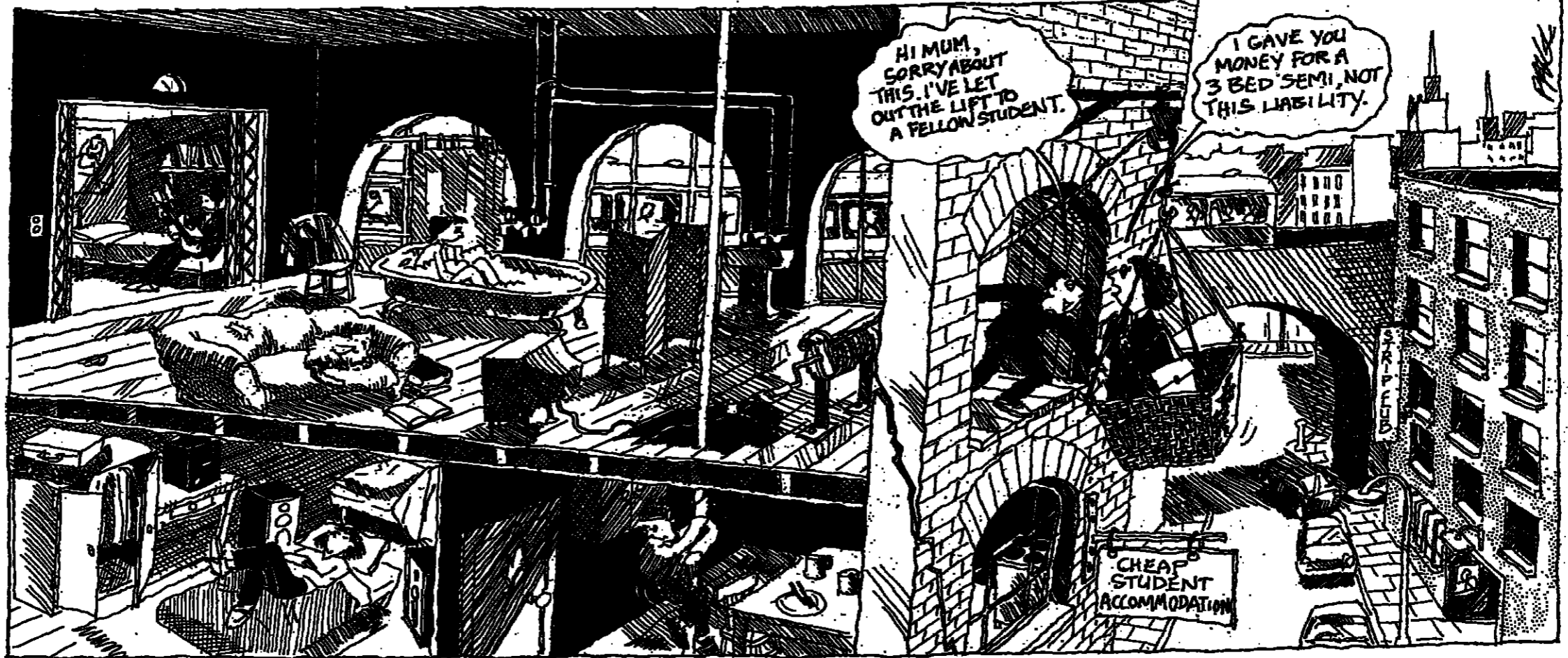
Location is as important a factor when buying a student home as it is when buying any other. However obvious this sounds, it is a point ignored by many parents when buying for their children.

They take the view that the university will provide a constant stream of students equally desperate to rent in the same city. They can pick up a small terraced house for around £40,000 and clear £400 a month in rent after bills - more than double the return offered by the building society.

This argument only holds water for as long as they wish to remain a landlord. When it comes to selling they will need a buyer who actually wants to live there, which could prove difficult.

Many parents have discovered that they want to sell as soon as their child leaves. Three years capital growth at the current rate in the lower end of the market is likely to just about cover the costs of selling.

One family who bought for their medical student daughter in Bristol saw the value of their investment rise from £51,000 to £120,000 in the late 1980s. However, their only way of cashing in on the



## Britain's latest owner-occupiers

Ann Spackman finds that many parents are buying children their own homes while at college

profit would have been to put her out on the streets.

They hung on, only to see the value fall back to £75,000 and even at that price they are having difficulty selling.

Her father said the loss of profit was by no means the worst part of the experience. His daughter had not been the right kind of person to manage the business side of a house, particularly when her degree course was so demanding. "It looked a good idea on paper, but there are hazards," he warned.

Even in London, where both the sales and rental markets are buoyant, agents warn against buying poor quality properties. Edward Church of the central London agents, Aylesford, advises parents not to buy a

flat they would not wish to keep for themselves.

A flat in need of redecoration is fine, but not one with an awkward layout or in a poor location. "The important thing for parents to

**Best bet is a location near a supply of lecturers, first-jobbers and students**

remember is not to buy something that they consider second rate, and 'good enough for the children', as this will only present hurdles when selling in the

future," he says.

Philip Green, of Goldschmidt and Howland, which has an office opposite London Business School, recommends parents buy within walking distance of their child's college or on a direct Tube line and that they buy a property above ground floor level for security reasons.

If the purchase is made as a medium to long-term investment the best bet is a thriving rental location which offers a good supply of lecturers and first-jobbers as well as students. Particularly good are cities with two universities, the newest of which is normally lacking in student accommodation.

Victoria Mitchell, a director of Savills, bought a house for her daughter,

Rebecca, when she started at what is now Anglia Polytechnic University in Cambridge. "We were given a list of landlords asking £50-£70 a week for a room and breakfast," she says. "The property was awful and very expensive."

She gave her daughter the money to buy a house in Chesterton, 10 minutes' bike ride from the college. At the bottom of the market in 1992, the three-bedroom house with two living rooms - one of which served as the fourth bedroom - cost £45,000 plus £15,000 to renovate and furnish. The rent was the normal £50 a week per student.

It proved such a good investment that she has since bought three more. "The net return is between

12.5 and 15 per cent," she says. "You cannot get that in the stock market. I look upon it as my pension."

She has had no qualms about letting to students. "Students aren't tidy. They

**For tax breaks, a student must be the 'beneficial' owner**

don't Hoover or dust, but they don't trash the place either and they do pay their rent," she says. "I try to get one student to take the house with their parents

guaranteeing the rent, then they find their flatmates. If something breaks down, we have given them the number to ring and they organise the repairs themselves."

How did her daughter find being an owner-occupier with landlord responsibilities at the age of 19? "To start with, she found it a bit of a struggle," Mitchell says, "but she got used to it. It has been fantastic in teaching her how to run a house and how to manage money."

There are tax advantages in students being owner-occupiers, rather than their parents' tenants. As an owner-occupier the student qualifies for mortgage interest relief (MIRAS) and rent-a-room relief, which allows for tax-free rent of up to £2,250 a year. When the house is sold

it will be regarded as the student's main home and therefore free of capital gains tax.

Gavin Stebbing, of the accountants Windsor Stebbing Marsh, says the critical factor for obtaining the tax breaks is that the student must be the "beneficial owner of the property" rather than his or her parents' nominee.

Mitchell has been so impressed by her experience that Savills is considering setting up an investment fund covering properties in the principal university towns.

"The only possible long-term problem is that in the future, students have to pay fees they may start living at home and going to their local university," she says.

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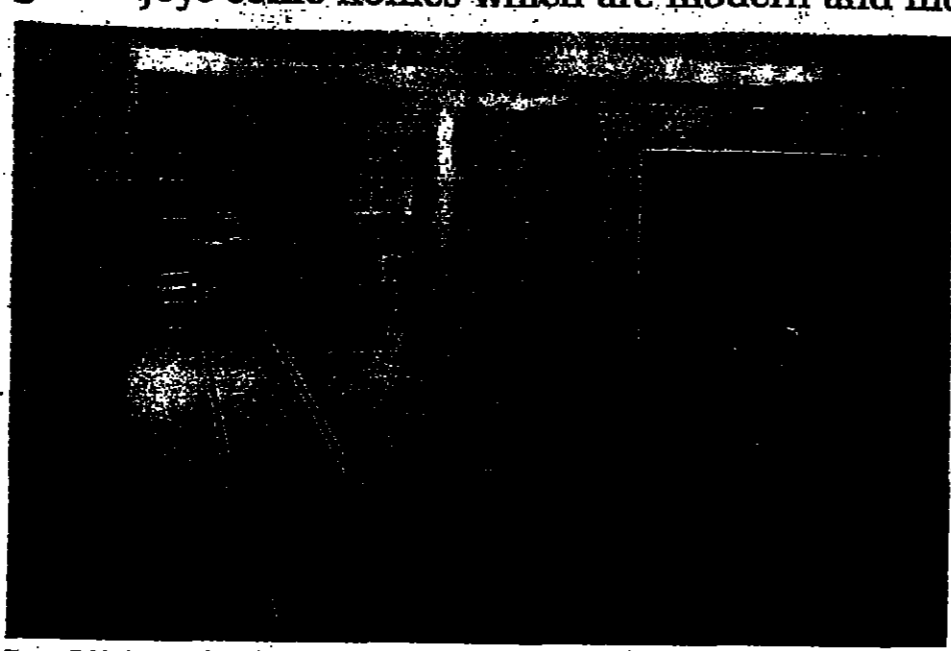


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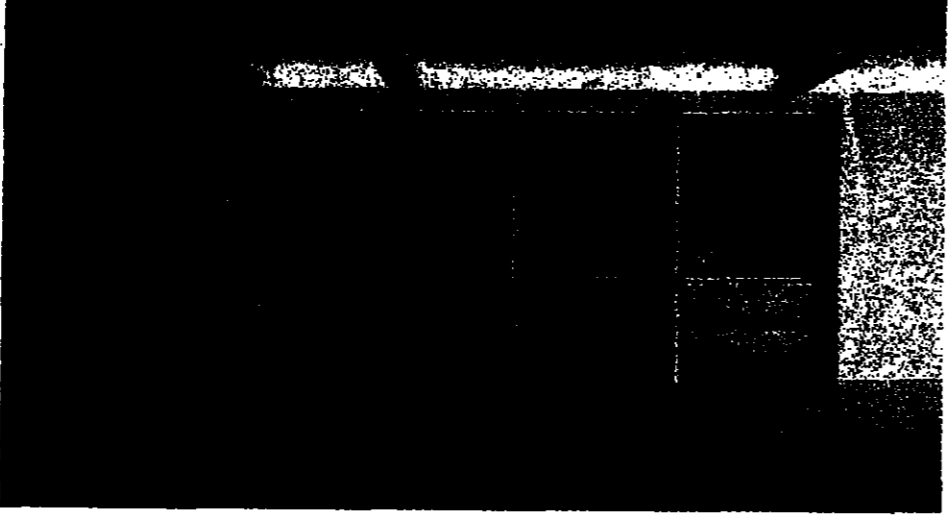
Why do British buyers tolerate wimpish design?

Gerald Cadogan enjoys some homes which are modern and mould-breaking

It is rare to find well-designed, unabashedly modern architecture on the UK market. This makes the minimalist conversion of an office building into flats in Pollen Street, London W1, all the more interesting. The architect of the development, between Hanover Square and Regent Street, is Mark Guard. Guard's aim is to maximise light, space and whiteness, even using reflected street lights. How different from the usual predictable new homes for sale. At the more expensive end of the market, they are neo-Georgian boxes, perhaps adorned with a neo-Georgian garage and swimming pool. Genuinely new ideas barely exist except in the areas of utilities, insulation and energy efficiency. Neo-Victorian, with Gothic windows and the suggestion of a turret, is less frequent but there is enough around to keep the makers of Staffordshire Blue and (yellow) London Stock bricks busy. Their job is to add polychrome patterning to the design, in an attempt to enrich the look of the building - a favourite ploy also for supermarkets. The results are a feeble pastiche of their 19th-century originals.



Tower Bridge flat: one of three pictures on this page illustrating Mark Guard's use of light and space



A Guard apartment in Soho, London

Likewise, it is rare to find paint schemes as bold as some Victorian concoctions. To see how they managed to be subtle and at the same time flamboyant, look at the painting on the Thames bridges. New homes are often given "character" by adding "vernacular" details, creating a hodge-podge of old-fashioned architectural elements bolted on to a house. One wall may be of knapped flint, even if it is not in chalk-and-flint country. Hanging tiles are put on the first-floor walls, although they have nothing to do with their original

function of protecting the soluble wall filling. Why do the British tolerate such wimpish design? Inertia is one reason. So is the feeling of comfort that traditional design seems to give, even if it has been ripped out of a rightful-wil-

lage cottage context and stuck on to a suburban design. "Don't worry about us," new homes say. "We may be modern and efficient, but we are still safe and familiar." Having it both ways? Not rocking the boat? You bet.

But it is what the great British public wants and this, I suppose, includes Prince Charles. Such attitudes make it tough for innovative architects. That may be why one sees more work of theirs in commercial or public com-

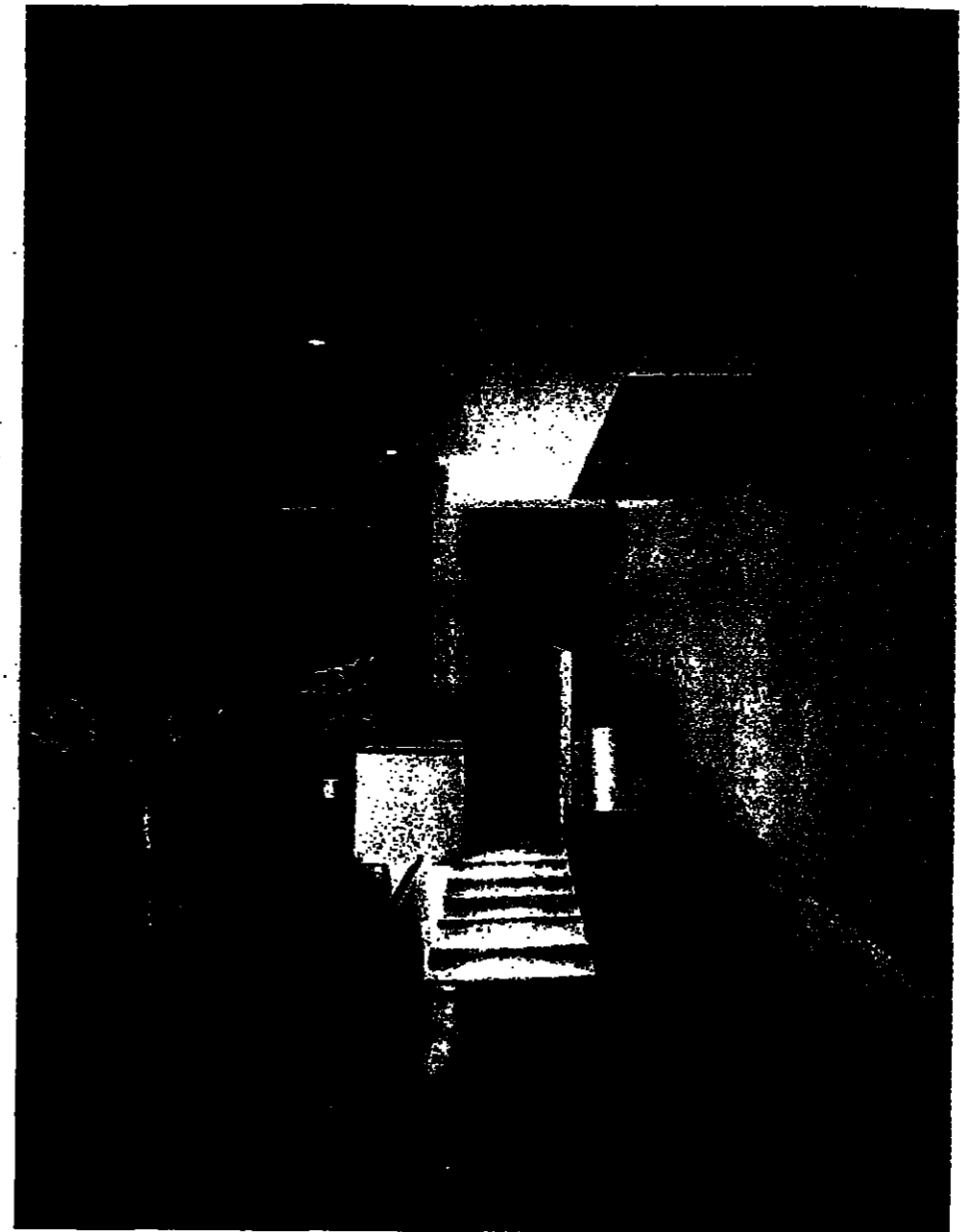
missions than in private houses, and why the Royal Institute of British Architects runs an award scheme for housing projects, to increase interest in the sector.

But the picture is not all sentimental soggy. Guard has already designed flats for clients who bought unfinished "shells" in Manhattan Lofts' conversions of old commercial space. "Open plan or minimalist, that is what they like," he says. And who are these buyers? "Mostly mid to late 30s, without children, or the children are with a previous spouse." If it is a pied-à-terre, the aim remains to keep children out.

In Guard's new project everything is white except for the pale birch-wood floors. It is an ideal context for brightly coloured - or black - pictures and furnishings. He sets out to achieve "flexible or transformable" space. Big sliding doors, white, of course, create an interplay of smaller and larger areas. As they have no handles, they look like walls when they are shut. Roof lights, balconies and thin shafts, as well as windows, channel light.

Since the kitchen is part of the main room, Guard also minimises that. He says: "You must be able to sit down and not feel you are in the kitchen". He conceals appliances behind plain white doors so that nothing shows until the door is opened. Here all must be "visually discreet" and extractor fans remove smells.

For washing he favours circular showers which need specially ordered fibreglass bases. Why circular? "Because I can only think when I am going around in circles." The views from the eight flats in Pollen Street (which will be on offer through Winkworth from around £235,000) are more



A Guard house in Kensal Rise, London

New York than London - an urban jumble of fire escapes and chimney stacks, plus the back of Vogue House and a sighting of the cupola of St George's, Hanover Square. Their position is superb, on the border of Mayfair and Soho, but without the nightly noise. An award-winning alternative is the conversion into flats of The Academy, a Victorian school on Highgate Hill, N19, by ORMS Architecture & Design. These are available for £137,500 to £290,000, with a penthouse at £445,000 through Hamptons or Keith Cardale Groves). Another winner, designed by

Michael Ginn Associates, is Art House Projects' conversion of a synagogue in Spitalfields, E1, into six units, three of them triplex loft-type houses with steel bridges across a sunken garden. Prices range from £175,000 to £275,000. The agents are Tarn & Tarn or Urban Spaces. Or choose a spectacular whole house in Witanhurst Lane, Highgate, N6, designed by Elana Keats with Michael Connley and on offer from Aston Chase, Glentree Estates or Savills for £5.6m. One of the highest points in London the architects have created a 1930s-in-

fluenced palace, with masses of glass, white paint and plain timber, and curves galore, to make the most of the views of the city. The glass walls of the grotto room on the "lower garden pool level" retract electronically into the side of the hill. On the level above a large verandah floats among the trees. ■ Aston Chase, 0171-724 4724; Glentree Estates, 0181-209 1149; Hamptons, 0171-794 8222; Keith Cardale Groves, 0181-341 8666; Savills, 0171-431 4994; Tarn & Tarn, 0171-251 2911; Urban Spaces, 0171-251 6511; Winkworth, 0171-240 3322.

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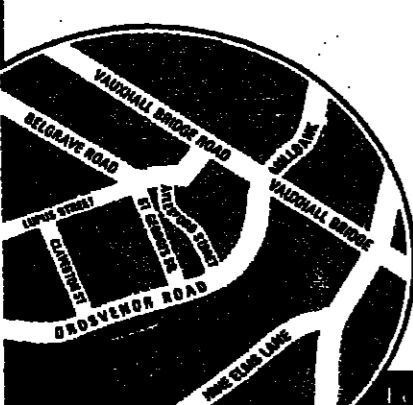
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IRELAND

**W**hy are auctions such a popular way of selling good property in Ireland? In the UK they smack of desperation - either the property will not sell at all or it is a repossession sale.

At best, they signal that the agent cannot set a price, say for a ruin needing total restoration. However, in Ireland, auctions are a regular occurrence and carry no stigma.

Knowing why the Irish like auctions will help outsiders trying to buy property in a market that was hectic in the year's first half, "like the south of England in 1989-90," says Andrew Hay of Knight Frank.

It has now slowed, perhaps because of the holiday season, perhaps as a distant repercussion of IRA bombs and August marches in the north.

Hay expects it to recover momentum. The signs are good. The economy is doing well, Ireland has handled the ERM crisis better than the UK, and farmland sells for around £3,000 (£3,100) an acre, compared with £2,500 in the UK. But, UK buyers note, the punt stands at a 3 to 4 per cent premium to the pound.

In Ireland auctions are fun. They make an exciting event, with 150 people in the room, drink in hand, all knowing who will bid, and eager to see the drama roll.

Irish buyers do not like tenders. They are secretive. "You don't know who you are bidding against," says Hugh Hamilton of Hamilton Osborne King. "But in an auction you think, if it's worth £10,000 more to that fellow, it's worth £10,000 more to me." How far from Scotland, where sealed tenders with a closing date are the standard system.

There is also an historical reason for auctions in Ireland. Estate agents there mostly began as agricultural auctioneers, selling machinery, farms, fence-posts, cattle and grazing. It is an easy step to selling houses.

Agents and vendors like auctions since they set a definite timetable of advertising, sale and completion. For John Hamilton, of Jackson-Stops & McCabe, it is the best method when he foresees competition, but not for



Myrtle Lodge, in Dunganstown, Co Wicklow, 35 miles south of Dublin has a guide price of £21m

# Why Irish eyes are smiling

Gerald Cadogan looks at the way property goes under the hammer in Ireland



Ardbraccan, near Navan, Co Meath: the essence of an Irish Georgian house. Its guide price is £900,000



Glebe House, Moyglare, Co Kildare: at auction for £5470,000

slow sellers, unless a mortgage lender is putting pressure on the vendor wants to be out "before the winter".

Sometimes a property sells after an auction - the auction room having winkled out serious buyers. An auctioneer may well withdraw a

property from the room and goes to the bar where, for the next half-hour, he will treat with anyone who has already bid.

"I have sat in the bar until five in the morning," says Hay, "when we exchanged contracts on the bartop

among the debris." The reverse happens if only one bidder appears.

Beforehand, an auctioneer usually greets everyone who comes in and gauges interest.

So how successful are auctions? Hugh Hamilton's rule

of thumb is that 50 per cent sell under the hammer, 45 per cent before or after, and only 5 per cent do not sell.

"It's better than doing it by private treaty."

Recently he has sold the Glebe House, an old rectory, with 14 acres at Moyglare,

near Maynooth, in Co Kildare, at auction for £5470,000, compared with a guide price of £400,000. Its location, only 16 miles from Dublin, would have helped bidding.

A variant in farm auctions in Ireland is to record the bids for the various lots, but

not to knock them down with the hammer. "That creates a good buzz," says Hay.

Then the auctioneer pauses to add up the bids and hold a new auction for the lots as a whole starting at that total - which immediately becomes the reserve price underpin-

ning the bids.

On Thursday Myrtle Lodge in Dunganstown, Co Wicklow, 35 miles south of Dublin, is to be auctioned. A horse place, it is in the prime condition one expects of the property of an Irish national dressage champion, Deborah Gibson, and her husband, who are the vendors.

It has 186 acres (22 arable, the rest pasture) with piped spring water in all fields and most pasture reseeded in the past five years. Five hunts are in easy boxing distance.

With a guide price of £21m, this establishment is for serious riders, including hunting fanatics whose eyes turn to Ireland (in case it is banned in the UK). Or it could be a small stud. Hamilton Osborne King is the auctioneer.

The same company, together with Knight Frank, is soon to auction Ardbraccan near Navan, Co Meath, 30 miles from Dublin.

It is the essence of an Irish Georgian house, built by the Church of Ireland bishops of Meath in 1734 and designed by Richard Castle (who also did Leinster House in Dublin), yet it is of manageable size. The plan derives from Palladio - a central block linked to side pavilions by curved passages. Ardbraccan has 120 acres. Its recent guide price sought offers of more than £800,000.

However, plenty of houses are still for sale by private treaty. Around Dublin the buyers are mostly Irish, but the west coast with its string of airports attracts foreigners.

Five years ago, more than 50 per cent of the buyers for large properties were German, Hay remarked. Now there is a mix of Dutch, German and UK buyers, while US buyers of Irish descent are taking on country house hotels.

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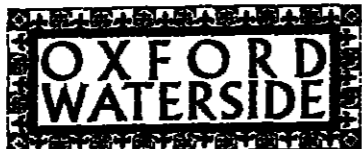
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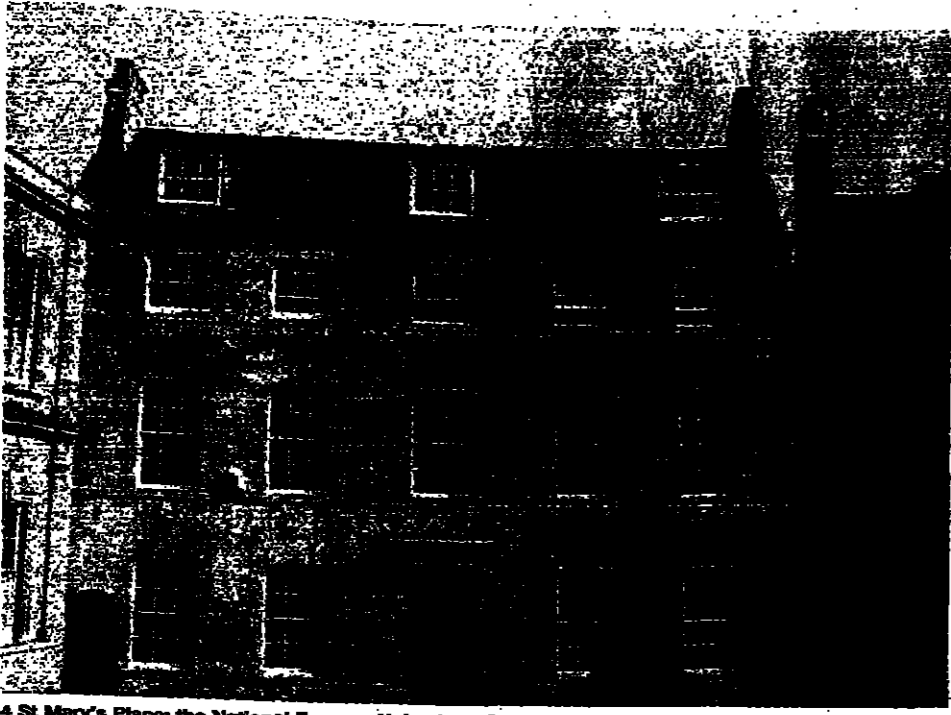
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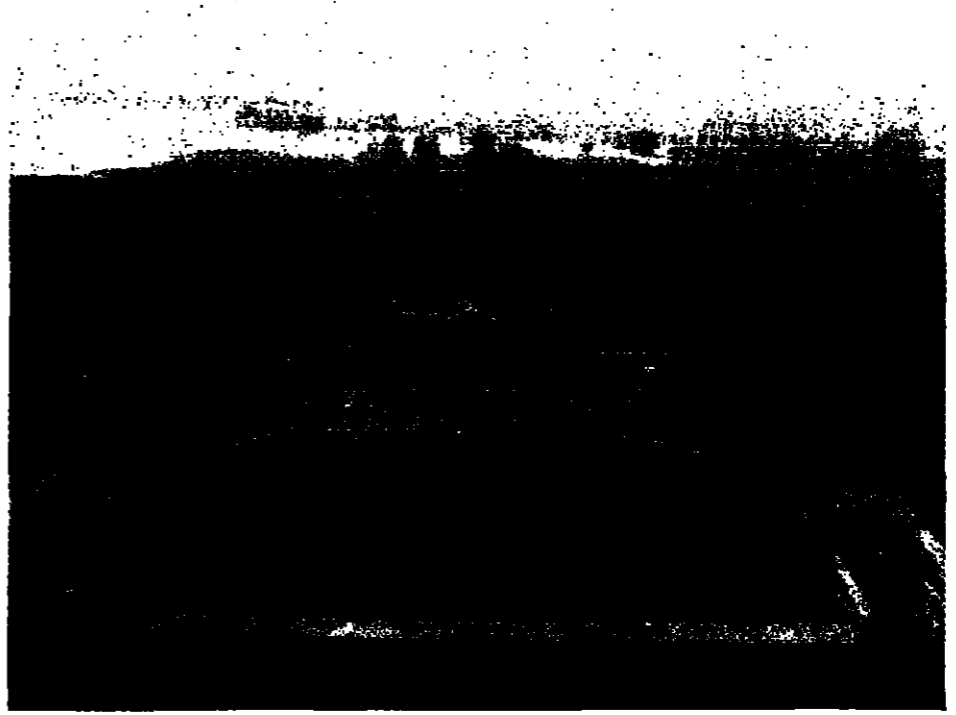
PROVINCIAL BRITAIN



4 St Mary's Place: the National Farmers Union is selling the building, listed Grade II\*, for £250,000



In Rock Terrace two three-bedroom houses are for sale



The rural palace of Burley on the Hill, The Smithy, in the grounds, is now for sale

# Life in a famous corner of England

Gerald Cadogan wonders why more people don't seek homes in Stamford, where George Eliot's Middlemarch was filmed

When *Middlemarch*, George Eliot's profound psychological study of the inhabitants of an English country town, was turned into a television series, visitors flocked to Stamford in Lincolnshire, where it was made.

Strangely, there has been no television-led rush to buy houses there. Odd, since Stamford remains an excellent place to live. If one is lucky enough to obtain one of its grand 17th or 18th century town houses.

It is a complete Georgian stone town with about 600 listed buildings, many handsome houses in dressed limestone with roofs of Collyweston stone slates.

In the 1960s it suffered no hurt from new roads or developers' banal shops. Its high street is one of the best I know, because the standard shop facades with their familiar high street names, do not overwhelm the old buildings behind them, for once.

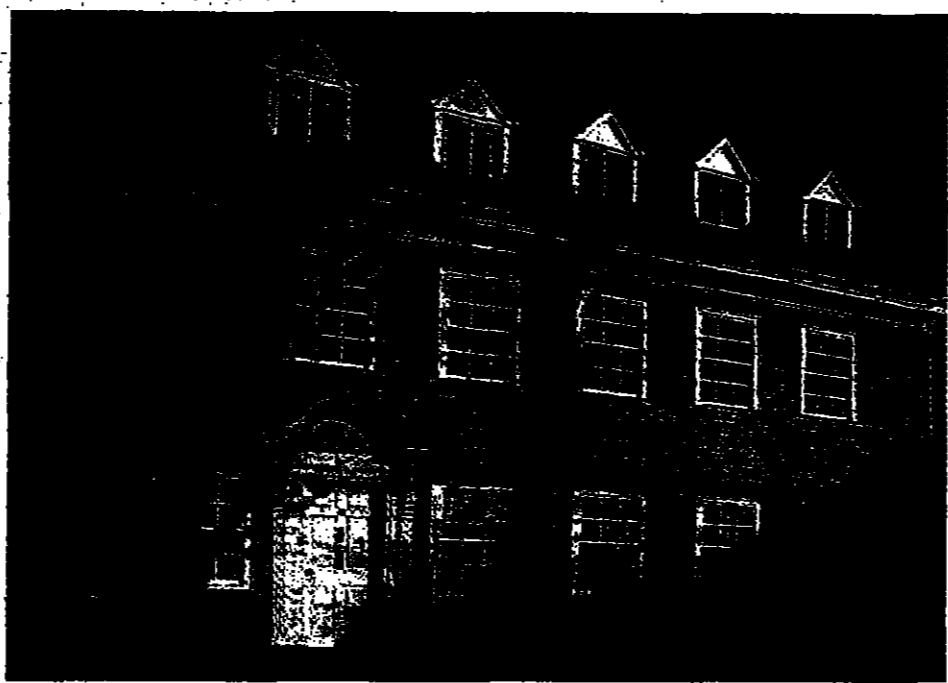
The main part of the town rises in layers against slopes

running down to the river Welland. "It is like Burford in the Cotswolds," a friend said.

In fact, Stamford is better than Burford. The grand houses look similar - and were also built on sheep and wool money - but they are laid out in streets and squares of varying shapes and sizes, and down alleys. They make a townscape of surprises, unlike Burford, which is in the thrall of one big high street. Stamford has the feel of old provincial towns in France or Italy and, like them, shows a strong sophistication.

It prospered as an inland port, and since Roman times, was the place where the Great North Road crossed the river (the border between Lincolnshire and Cambridgeshire).

A parade of fine churches shows how rich it was even in the Middle Ages. Stamford is also known for its many pubs, and used to have its own brewery, now a museum. The river has canoes and rowing boats, and plenty of pike for *quenelles de trochet*. Or there is fishing, sailing and wind-



In Barn Hill, a cobbled street running up a slope, the old houses are rich in secret back gardens

surfing on nearby Rutland Water, a huge (3,100 acres) reservoir.

Coaching inns grew up at the crossing, of which only the famous George survives,

on the other (Cambridge-style) bank its cobbled yard is a summer restaurant. Nearby, 10 minutes' walk from the middle of town, is the entrance to the park

(open all the year) of Burghley House, the palace that William Cecil built in 1587.

Through traffic on the A1 bypasses Stamford but, post *Middlemarch*, visitors now

combine Burghley and a visit to the town, which they used to ignore. Businesses are delighted.

Excellent communications are a plus. Besides the A1, Stamford has trains to Cambridge, Leicester and Peterborough, from where it is less than an hour to London on the East Coast main line.

In the 19th century, Stamford's growth slowed once Peterborough had become the main station of the region, apparently because the Marquess of Exeter (owner of Burghley) refused to allow the railway on his land.

The old houses are rich in secret back gardens, especially in Barn Hill, a cobbled street running up the slope at the top of the town. (It appears often in *Middlemarch* and has good views over Stamford and its steeples and towers.) But old houses for sale are scarce since many, like those round St George's Square, belong to the Burghley estate which lets them.

But 10 Barn Hill, listed Grade II, with a back garden and the views, is for sale for £235,000 from Everitt Green.

It used to be the manse of the Wesleyan chapel and dates partly from the late 17th century. A grander house two doors up was recently on offer from Savills for £395,000, and Todays is selling the simpler number 2 for £115,000. On the corner of St Mary's Street and Maiden Lane, No 24, built in 1794, is an imposing town house in a street full of them. The price from Everitt Green or Todays is £215,000.

More imposing still, although it needs redoing inside, is 4 St Mary's Place - the cobbled square around St Mary's, the main church. The National Farmers Union is selling the building, listed Grade II\*, for £250,000 through Carter Jonas, perhaps for changing into flats or a single home.

In the basement, beneath the classic Georgian dressed limestone facade and Collyweston slate roof, is a vaulted undercroft, probably part of the medieval guildhall.

Rock Terrace is an attractive early Victorian development, in the style of St John's Wood in London, where two three-bedroom

houses are for sale (Everitt Green, £165,000; Savills, £167,500). A large Victorian house in Tinwell Road, from Everitt Green for £250,000, is also on offer.

The rural palace of Burley on the Hill, built between 1694 and 1704 with a colonnaded forecourt modelled on St Peter's in Rome, is 11 miles from Stamford.

A few years ago, the house became the victim of hard times but Kit Martin, guardian angel of many of the country's great buildings, has saved it by converting it into self-contained (and vertically divided) houses.

He has also been converting outbuildings like the Engine House and the Smithy, now on offer at £265,000 and £275,000 from Savills, which is also selling a flat in the Stables (a pre-Martin conversion) for £185,000. In Market Deeping, east of Stamford, 29 Church Street is a typical old village house, from Carter Jonas for just £155,000.

■ In Stamford (01780): Everitt Green (68282); Savills (68222); Todays (5077). In Peterborough (01782): Carter Jonas (68100).

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HOW TO SPEND IT

# Young jewels in the crown

Lucia van der Post on designs priced between £30 and £30,000

Those who have come to know the autumn fair at London's Goldsmiths' Hall will scarcely need reminding of how splendid it is. There, gathered from all parts of Britain, is some of the best work by contemporary jewellers and silversmiths. Apart from being a perfect opportunity to indulge in some early Christmas shopping, it also offers a chance to see what our young - and not so young - designers are up to and to check out those who might be worth commissioning for something special and one-off.

Those whose notion of jewellery and silver veers towards the old and the antique should make the effort to see what is being produced today. They ought to be much cheered.

For instance, there is Richard Fox's work - finely wrought salt and pepper pots and his equally fine spoons which are clean, undisturbed by this era and yet as desirable as anything from the 18th century. Martyn Pugh's silver-trimmed jugs are already so popular that there are waiting-lists for them (when I featured one of his claret jugs earlier in the year the phone rang for days with people wanting to get hold of one).

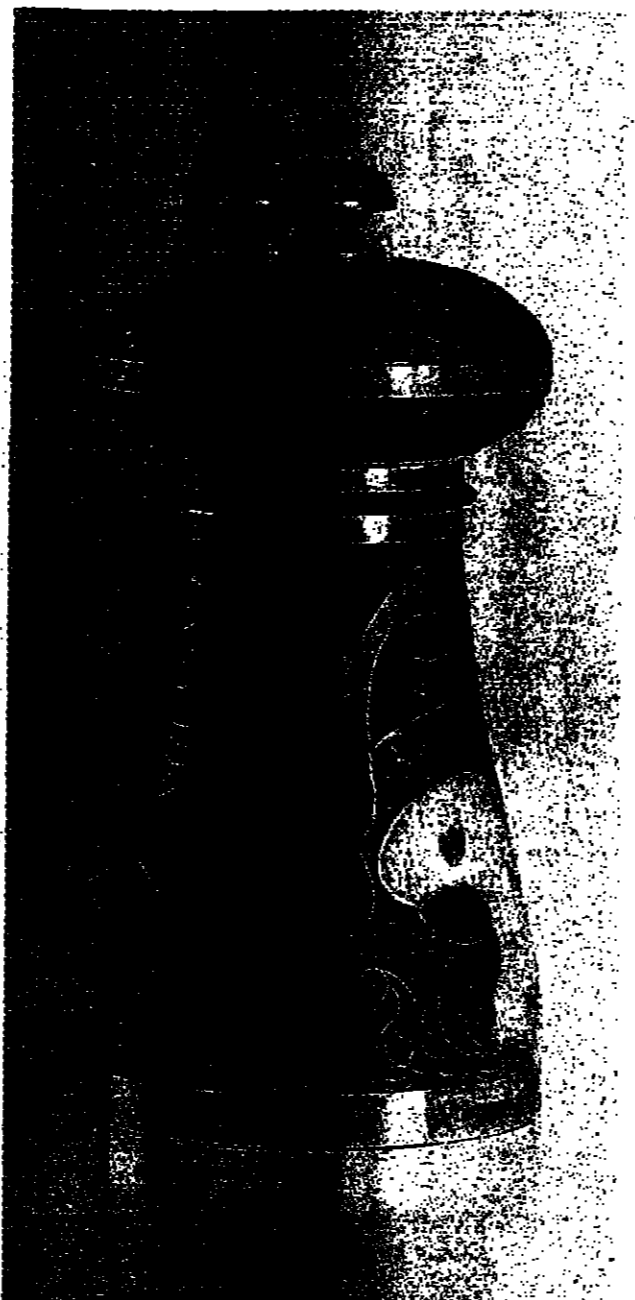
Maureen Edgar, John Richardson and Alistair McCallum all explore silver and enamel (McCallum in some very sophisticated beakers, Richardson with some rings and Edgar with some strikingly individual bowls,

vases and pepperpots). When it comes to jewellery there is a curious breadth of taste from some strangely derivative "antiquary" looking pieces to some genuinely innovative and exciting work. Look out for the work of Stephen Webster whose belt buckle in 18-carat red and white gold is not only beautiful but quite unlike any other belt buckle I have ever seen.

Look out, too, for Alan Craxford's interesting version of the whacking great "solitaire". What Zsa Zsa Gabor - who never hated a man enough to give him his diamond back - would make of it I cannot imagine. Gabriella Lane's splendidly streamlined version of the famous Chanel jewelled bracelet is eminently desirable but many other jewellers (in particular, Bo Davies and Stuart Wharton) are also worth finding.

All in all the work of 80 craftspeople is on show. Prices range from £30 for a small ring or brooch up to about £30,000 for a grand piece of table silverware. There is, however, a great deal of jewellery that is under £300 as well as good silver pieces for under £200.

Anyone with an interest in either jewellery or silver, and who cannot get excited by high street shops, should make a point of visiting this exhibition. It is on from Monday September 30 until Sunday October 6, from 11am to 7pm, except for Saturday October 5 and Sunday October 6 when it closes at 5pm. Admission is £2.



Silver pepper pot, enamelled with fine cloisonné work by Maureen Edgar: £9,000



Stephen Webster's belt buckle in 18-carat, red and white gold chased and engraved on a black hide belt: £2,040



A platinum diamond ring with diamond set in green gold by Alan Craxford: £12,500



Silver-pressed candlesticks (£25 small, £95 large) and vase (£120) by Howard Fern

# Shock, horror - purple lips

It comes as something of a shock to reel back from the summer holidays and find that frump-chic is the latest thing. Straight from the African bush and the Scottish heather, it sounds a bizarre candidate for the pages of the glossy magazines, though I should know by now that anything is possible.

All those equipped with crustal balls have, of course, already been rooting round in the second-hand shops and have their wardrobes full of authentic 1970s gear. They have got the flares, the purple Biba dresses and little pull-down hats.

Those who do not have the energy for the second-hand shops (though there is still time - read about clothes auctions on the Fashion page, opposite) may have decided to buy it all new. They will by now have the chocolate brown coat, the tights (the authentic progenitors of the woolly tights are by Prada at £70 a pair, but all except the most obsessive of fashion victims would give up several lunch hours just to find a pair of Wolford's Follow Me at £22 a time), the trailing scarf, the spinstery cardigan and the slightly A-line skirt sitting nice and dowdily on the knee.

All this means that this autumn is going to be stressful, so you will want to look your best. The authentic frump is topped by a dramatic face. Purple, we are all reliably informed by Vogues American and British, is what we will be wearing on our lips and our nails. This may seem a remote concept, but those who remember the rush for Chanel's Rouge Noir last winter will recognise the pattern. First comes shock, horror, then comes familiarity and later comes a wild desire to buy it and flaunt it. In three weeks the rush will be on for Helena Rubinstein's Black Purple, for Biba's newly launched range of purple lipsticks

and eyeshadows, for Estée Lauder's Purple Reigns Collection.

Prices for keeping up to the minute do not, on the whole, come cheap. One excellent company which is as up-to-the-minute as you could wish for but which does not charge high prices is BeneFit. Out of its San Francisco headquarters it produces a brochure (ring 800-781-2285 to order a copy) which is filled with useful make-up tips.

In Britain, the products can be bought at Harrods of Knightsbridge, London SW1, and Space NK, Earlham Street, London WC2. Here are all manner of beauty aids you never knew you needed until you read the blurbs. There is, for instance, the lip plump for the "big, pouty lip look without collagen" (a mere £13) and "kiss-proof, swim-proof color" for cheeks and lips (Bene-tint at £20). There is a splendid range of lip liners at £8 a time, lots of glossy and shiny lipsticks and an absolutely translucent finishing powder (£17), which I use all the time. Telephone 01284-738257.

For those who cannot make it to exclusive London beauty counters, Aveda has just started a good mail order service with a splendidly produced brochure come chatty mini-magazine.

Through it you can buy the authentic tools of the trade, from the professional make-up brush kit used and recommended by Ruby Hammer (one of the leading make-up consultants in Britain) to a range of aromatherapeutic body and bath treats.

There is a range of excellent products for those who want more shine on their hair (the Brilliant Spray-On is particularly good) as well as Styling Pomade for those who simply must emulate the slicked-down look. For a copy of the current issue, telephone 0641-505000.

L.v.d.P.

## Gardening

# Happiness is a favourite bloom

Robin Lane Fox visits London's Great Autumn Show where the bougainvilleas take centre stage

Across the Mediterranean, there are still some bright sheets of flower on the climbing bougainvilleas which are so familiar against white-washed walls. In Britain, they will not survive outdoors, but those with conservatories or cool greenhouses are always keen to try to please them.

This week, they have been looking very handsome at the Great Autumn Show. They were staged by Westdale Nurseries, Bradford-on-Avon, near Bath, Wilts

BA15, which has made its mark as an exhibitor in its first three appearances in London.

Westdale will send out individually packed plants until the end of November at £12.50 each. The nursery is

not cheap, but includes a wide range of colours and provides an escape from the conventional shades of purple. On Westdale's London stand, I was particularly impressed by California Gold which is not too deep a colour. Jennifer Fernle and Sea Foam are excellent whites, either of which would look good if grown up a car in an S10 pot. The best of the yellows was Lady Mary Baring, which is described as fast-growing and is no doubt immune to Far Eastern virus in the system.

These bougainvilleas are remarkably resistant to disease and unappealing to the standard British greenhouse pest, Mr Clarke of Westdale suggested that one or two specimens for a fast-growing Baring would soon cover the roof of a small conservatory and cut out the need for expensive blinds.

I prefer the plants in pots where they will grow up like standard fuchsias. They respond to artificial feeding from March onwards and merely require adequate sunlight. If the leaves are drooping, the cause is probably shade. Bougainvilleas like generous watering in summer, with time to dry out between applications. From November onwards, they are best kept dry and, contrary to popular belief, do not need high temperatures. If you can just keep off winter frost at 2°C (35°F), they will be happy until early March.

When they start to send up new growth, they need a higher temperature of 8°C (45°F) evenly maintained at



a minimum throughout the night and day. Once they are up and running, they must be kept warmer than during their winter sleep.

Years ago, I looked after bougainvilleas in one of the cool glasshouses of my German botanic garden. I was seconded to the job as a punishment for talking too much while at work in the alpine garden. The bougainvilleas had a reluctant keeper, but even then, I appreciated their tolerance and their willingness to thrive with minimal attention. I have never grown them since, but Westdale revived my interest and its range of colours will tempt anyone.

Other aspects of the autumn show did more to confirm my favourites than to dispel such prejudices. Anyone on lime-free soil in the north of Britain should be sure to grow the wonderful autumn gentians, beautifully shown by Edrom Nurseries from Scotland, which made my day by showing plants of the sky blue Gentiana Farreri in a particularly clear form.

If I could take only one Chinese alpine, this extraor-

inary flower would still be the first choice, although the experts say that its vigour has declined in cultivation and some of the intensity of the Chinese sky has been lost in its trumpet flowers.

The rest of us are plainly being coaxed towards evermore types of Crocosmia. Fancy yellow and scarlet forms are turning up in every exhibitor's list, whatever the status of the names.

The red Mrs Geoffrey Howard from Avon Bulbs was the best of the reds, while the favourite yellow is still Citronella. For once, those on show were no better than those amassed from friends. This family needs careful patronage by every-

one who wants a garden to continue into October. I am sure, however, that the plants grow and flower best if they are in sunshine without being too dry. Some of the best forms are living in damp Ireland, a warning to those who assume that these South African corms want to be baked dry in a very hot place.

These autumn exhibits always repay a close examination for distinctive colours in familiar families. This year, I confirmed my belief that the darkest Scabius for sunny borders is Chilean Black, shown by Hopleys of Much Hadham which does not yet list stocks of it. Nearby, Hopleys had the

rewarding yellow-green Euphorbia from Nepal, named Schillingii after its discoverer. I find it easy, free-flowering and hardy. It looks impressive if you dot a few plants around the garden where they persist invaluable in flower during August and September.

As always, the stars of the show were the dahlias. The range of crimsons, scarlets and yellows was overwhelmingly lovely and you could not do better than the small, deep red cactus flowers of Doris Day and the bigger dark crimson flowers of Altamir Corsair.

Every year, Aylidde of St Albans, Hertfordshire (tel: 01727-522255) dazzles us and

wins a top medal. Regrettably, it will not supply plants by post, but will book orders until January 31 1997 for collection in spring. A fellow medal-winner is Tiveys at 28 Wanlip Road, Syston, Leicestershire (tel: 0115-299 2988), which will supply by post and carries an impressive range.

The falling in most dahlias is the dullness of the leaf, but if you work a few plants at intervals into late summer borders, the surrounding stems of other families will conceal most of the greenery. From now until the frosts, dahlias continue to enliven hazy autumns. They are superb cut flowers which seem to last for longer than anyone expects.

The experts tell you to cut flowers before 9am, and put them in water immediately, allowing them to absorb as much as possible before trimming and arranging them formally. When you do arrange them, cut the stems at an angle of 45 degrees at their base.

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FOOD AND DRINK



# Eating out What's cooking in LA?

Nicholas Lander hears about the restaurant scene from a leading food writer

There had been distractions en route to the recently opened Yujean Kang's restaurant in West Hollywood and my meeting with S. Irene Virbila, the restaurant correspondent of the Los Angeles Times.

I had come across two African restaurants, a Cuban restaurant mysteriously called Versailles, a man walking a stout on a lead, and a sports shop called The Merchant of Tennis.

I was not surprised, therefore, when Virbila told me that the large box-like room in which we were sitting had, until its transformation into a restaurant serving Chinese food with western influences, been an Italian restaurant designed with an almost Mafia-like disdain for windows and natural light.

Yujean Kang's location, next to a health club, seemed appropriate in a city where restaurants have to vie with a preoccupation for fitness. Our designer-dressed waiter, having introduced himself and the day's specials, was quick to point out that, although the crispy beef flank steak was one of his favourites, it was tried.

No sooner had he left us, than Virbila latched on to that wicked word. "It is sadly a prerequisite for LA

## Five of the best

Some of food writer S. Irene Virbila's favourite restaurants in Los Angeles:

- **Flax II** Ristorante, 617, S. Olive Street, (213-627-2300), an Italian restaurant particularly renowned for spaghetti all'Amatriciana made with house-cured pork-cheek. Expensive.
- **The Grill**, 9560 Dayton Way, Beverly Hills, (310-276-0616). Clabby, with an old-fashioned feel - at least for Beverly Hills. Moderately expensive.
- **Chinois on Main**, 2709 Main Street, Santa Monica, (310-392-9025). Wolfgang Puck's exciting Asian-French hybrid, to be followed later this autumn by Obachino in Beverly Hills. Moderately expensive.
- **Campanile**, 824 S. La Brea Avenue, Los Angeles, (213-938-1447). Exceptional, whether for breakfast, lunch or dinner. Moderately expensive.
- **Girza Sushiko**, 218 N. Rodeo Drive, Beverly Hills, (310-247-8939). Home to sushi master Masa Takayama where, most of the seafood, including fugu (pufferfish) in season, is flown in every day from Japan. Extremely expensive. Reservation only.

chefs today," she said, "that whatever they cook must not use too much butter, oil, salt or fat. Virtually the only soup left on restaurant menus in LA is a vegetable soup or puree for this very reason and, professionally speaking, this is a pity. "Soup is a good yardstick because I know that even if the management have recognised the soup is made beforehand and there is nothing they can add to it to try and impress me."

To avoid recognition, Virbila operates under several aliases using a variety of credit cards. Three years ago she worked in Berkeley - where her restaurant recommendation is Oliveto in Oakland (510-647-8356) - but Virbila spent a lot of time cooking at home. Today, she eats out five or six nights a week, a figure far higher than any of her British counterparts. She can visit a restaurant three or four times before reviewing it. When I expressed my disappointment at our lunch she agreed, but added: "I have eaten here three times

## Corkage

In contrast to their counterparts elsewhere, the majority of LA restaurants are happy for you to bring your own wine and pay corkage, which ranges from \$7 to \$20 with most in the \$10-15 range. The etiquette generally is that you should not bring a bottle that is on the restaurant's wine list and that it should be a good one rather than a \$5.95 screw-top bottle.

since it opened in April and this is the least satisfactory. "But Kang is an interesting chef, not just because he is a Chinese chef incorporating western foods - in contrast to so many western chefs currently using eastern ingredients - but because he was the first Chinese chef to take a particular interest in wine."

The wine list is fascinating for its breadth and ingenuity, offering a tasting of three different German whites or three soft, spicy reds for \$2. These visits also provide the information for Virbila's annual review of Los Angeles restaurants. The next, to be published in April, will be entitled *LA's Best Dishes*. Shortly after we met, Virbila's column was devoted to The Border Grill, Santa Monica (310-451-1655). While lauding the restaurant for its distinguished Mexican cooking,

including a mouth-watering dish of soft-shell crab dusted with chili powder and served with a sweet corn pancake and a mango and snap pea salad, she expressed her disappointment at the kitchen's inconsistency. Mary Sue Milliken and Susan Feniger, the chef/proprietors, were, in Virbila's opinion, spending too much time on their radio and television programmes and not enough in the kitchens - a familiar problem, sadly.

Virbila reflected on two trends in the LA restaurant business which are making her job, however enjoyable, increasingly difficult. The first is the decline in the number of big new restaurant openings, a consequence of the recession and the reduction in corporate credit card spending. "The entertainment industry still keeps The Grill, Drai's, Morton's, Patina and

Spago busy enough but the only new big opening this year has been Yujean Kang's," he says.

"Instead, there are a lot of smaller restaurants opening in the neighbourhoods, some of which are very good. However, she said that while her readers will drive a long way to eat at one of the city's best restaurants they are not prepared to drive for an hour to eat at a small neighbourhood restaurant, however good.

Virbila feels that the big problem for restaurant kitchens in the city is that of consistency. "Personnel change very, very quickly. Often, just after I have received a press release to say somewhere has opened and who is cooking, I will receive a second telling me the chef has moved on," she says.

"Restaurateurs sometimes cut corners by not hiring a properly trained chef or replacing one who leaves, leaving the kitchen in charge of marginally skilled line cooks. This is fine in a grill or fast-food restaurant but it does mean your risotto or sweetbreads may not be as good as they should be."

Our secrets shared, we paid using a credit card that bore neither of our names and parted company. In different directions, naturally.

## Champagne

# Prospects are bubbly

Edmund Penning-Rowsell on a new accord in the market

The story of champagne this century has largely been one of conflict between the growers and negociants with, for most of the time, the growers in a subservient position.

Between the first and second world wars the negociants, hard-pressed themselves in the years of deep recession, dominated the market. So when a co-operative was formed in 1927, in Mally, on the Montagne de Reims, the cellars were dug by the *potitux* of the first world war, while their families scoured the countryside for second-hand bottles.

Champagne grapes have to be pressed immediately they are picked and the negociants secured them at very low prices. The growers have never forgotten this period. When the market changed after the second world war, and particularly in the last 30 years, to a great extent the growers called the tune. Many pointed jokes were directed by the merchants at the growers: for example, "a poor grower is one who has to clean his own Mercedes".

In 1959, the *Comite Interprofessionnel du Vin de Champagne* instituted a system by which each year, in a six-year contract, a price was fixed by the presidents of both sides, and the growers agreed to provide a stated proportion of their crop in the form of grapes. However, as trade improved the agreed price rose and the quantity fell.

In 1989, the negociants refused to sign for a promise of only 42 per cent of their production. This freed the market, and the grape price rose sharply to FF932 per kilo plus a premium of about 8 per cent. (The champagne wine-producing area is divided into varying quality and price categories, with the top villages on the Montagne de Reims and the Côte des Blancs receiving the 100 per cent price which goes down to 80 per cent for outlying districts.)

As the recession developed in the early 1990s sales fell, particularly for those houses which kept their sparkling wines for about three years before marketing them, involving them in considerable interest charges. Those who sold at the minimum legal 12 months in bottle - and bought cheaper grapes - suffered less. Even today, only a handful of companies are making profits.

As a result, the trade realised that co-operation and

stability rather than conflict between the two sides were essential. So a series of agreements have been made by the two sides, starting this year.

The price of grapes has been fixed for four years at FF24 a kilo plus a premium for the 100 per cent villages although subject to a fluctuation of up to 3 per cent either way. This price is FF1.50 higher than last year.

This figure was not plucked out of the air, but in real money terms represents the price of grapes over the past 20 years. Second, the yield per hectare has been stabilised at 10,400 hectolitres; a reduction from 11,000 last year.

Next year the minimum period for marketing the wine will be set to increase from 12 to 15 months after the second, sparkling, fermentation, thus improving the quality. Further, the label must show clearly the name of the producer. So if a negociant buys any unlabelled bottles (*sur latte*), he

## A factor in the minds of the Champenois is the approach of the millennium

must show the name of the grower or co-operative which made the wine.

This agreement, worked out between the representatives of the negociants and growers, comes at a time when recovery is mixed. Stocks amount to 1bn bottles, approximately four years' sales. The negociants will claim that the yields are too small, and the growers that the grape price is too low.

However, a big factor in the minds of the Champenois is the approach of the millennium. The merchants, in particular, do not want any speculation. There is a strong view that the millennium will lead to a permanent rise in the demand for champagne, but there are others who believe that this will be limited.

Either way, consumers need not fear that there will be any shortage. They should benefit because, as in previous years, the *Comite Interprofessionnel* has steadily moved to improve the quality of champagne.

# Where all the best scallops lurk

George Dorgan enjoys the plumppest and freshest Orkney molluscs

I love scallops but I will never look at them in the same way again. The reason? A trip off the Orkney Islands with a team who make their living diving for these delicious molluscs.

Scallops gathered by divers cost twice as much as those that are dredged from the sea bed, but they are worth it. Not the least reason for the higher cost is the risk to life and limb for

those who gather them. There are only about 30 professional, full-time scallop divers in Orkney. And I went out with Dave Manson and Andy Elder, who own their boat, Aurora, and have 17 years of scallop diving

experience between them. Their third man, Toby Flint, has a masters degree in marine resource management from Herriot-Watt University and has been diving for "clams" (in scallop-diver jargon) for six months. He is quick to point out that theory is no substitute for experience.

In the same breath that these men talk about swimming with seals and dolphins, they also talk about coming up in a school of sharks or killer whales. They are remarkably casual about their brushes with danger.

However, diving is much more environmentally friendly than dredging which ploughs the sea bed. Dredging rotivators leave swathes several metres wide and take everything in their path - living coral, bottom-dwelling fish as well as immature scallops.

Dredged scallops do not taste as good either. They hang around for a couple of hours in the rotivator before being brought up, which often breaks the shells, stresses the scallops, toughens the meat and changes the colour to a light brown. It also leaves fine grit embedded in the adductor muscle, the part which we eat.

Orkney diver scallops are recognised as among the world's best and are eagerly sought in Japan, Switzerland, Belgium and France. The cold, nutrient-rich water makes them grow slowly and flavourfully. The strong currents around the Orkneys makes the adductor muscles work hard. Consequently, Orkney scallops can be twice the size of others. The same



Scallops in champagne: but some prefer a simpler style. Anthony Blake

applies to farmed Orkney salmon, which are firmer and fatter and have half the fat content of some west coast Scottish salmon.

The divers go out whenever they can, usually about 120 to 150 days a year. Most Orkney divers know the places that are worth diving, and Manson and Elder have been diving the same area for some time. Their area has a lot of underwater currents, which can make diving difficult. And in their particular patch the sea bed is about 100ft down, limiting diving to three 20-minute dives with 1 1/2 hours in between.

Every diver knows that scallops are found around skerries - rocky outcrops from the sea floor that can be above or below the water

line. Manson, Elder and Flint throw out a buoy as a reference point to mark the current. The divers wear suits because the water in Orkney is cold year-round - it never gets warmer than 15°C. They carry a mesh bag for collecting clams and a float and a lead weight in the bag.

Divers go down in turns and follow an underwater current, trying to move back and forth across it. But if the current is too strong it carries them too fast, to collect much; if it is too slow it means swimming a lot, which is hard work.

Between the three of them, they can usually count on collecting 300 kilos of scallops a day. At £2 a kilo, this gives £600 for the day's dive. During the winter, when demand is greater, the price will rise to around £3 a kilo.

But after overheads they expect to make about £100 a day. Manson and Elder sell their scallops to the Orkney Fisherman's Society, although Orkney Salmon, Orkney Seafood and North Isles Shellfish also deal in divers' scallops. In July and August, scallops are spawning so Man-

son and Elder do not dive. The scallops lose condition then, but more important, the divers do not want stocks to dwindle, so they declare their own closed season. Research into scallop breeding has not yet yielded the results that oyster breeding has achieved. It is easy enough to get them to spawn: the problem is getting the temperature and nutrient balance right to induce the free-floating scallops to settle.

North Isles Shellfish has been able to produce 1 inch lobsters for restocking. Last year it produced 8,000 at 40p each (beating a government research programme which produced lobsters at a commercially unrealistic price of £2.50 each) and it is hoping to reduce this to 30p when it starts producing on a larger scale. The hope is to fund this restocking with a levy

on landings. Apparently, most scallop divers would be happy to take part in such a scheme.

I ate a rough and ready meal of scallops on the boat on the way back to Kirkwall. They were nice big ones, about two to three ounces each, fried quickly and seasoned with salt and pepper - and they were wonderful speared from the pan on the tip of a plastic knife. Really good scallops do not need much done to them.

Alan Craigie runs the best restaurant in the Orkneys, the Creel in St Margaret's Hope, and he believes firmly in simple presentations for Orkney diver scallops. (He does not think the dredged variety are worth having.) He seals them in hot olive oil and serves them with a purée of roasted red pepper sauce flavoured with dill and chervil; the deep red sauce makes a vibrant contrast to the bright orange corals. He also uses them in an Orkney fish stew, with the best available assortment of fresh-caught Orkney fish.

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BOOKS

# Shakespeare - as you like it

The First Folio liberates the Bard from bullying notes and codpieces, rejoices Nigel Spivey

**T**he Bible - and Shakespeare. Neither the church nor the theatre operates an exclusion zone on their respective tomes. The BBC Radio Four classic exercise of imaginarily dumping a celebrity on a desert island automatically assumes that both will be needed, at least for spiritual survival. They are the indispensable literary baggage of the bourgeois soul. (Who knows when they will be called upon in order to complete a crossword?) But if one is the word of God, what is the other?

Most of us are undecided whether to salute or blame the system whereby the Shakespeare phenomenon is first tossed towards us as a high school text. Those ragged, ink-ticked editions - always game palimpsests for the boys in the back row - whose copious footnotes glossed (so it seemed) every other word of an alien language.

Were we really made to take parts at our desks, simply reading it aloud? No wonder the deliberate mispronunciations ("knobble" for "noble", hoho), the smudges at every conceivable double entendre, the outright guffaws as the class pansy was given fair Juliet's part. And how was it that in order to clinch exam success, one had to invest in a striped paperback crib which served the duller form of reduction - predicting questions about the text, and supplying rote answers?

Coriolanus, then, suffered: suffered considerably worse than Job or Isaiah. And redeeming the contempt into which Shakespeare must fall when impressed on the curriculum is not easy. Those reared in single-sex schools may have cause to bless him, since most diligent teachers have given up on transvestism, and the Bard offers a rare chance for liaison on the boards. Jollies to Stratford help. But having

graduated from all that, most bourgeois souls will be content with a copy of the Collected Works ensconced behind a glass-fronted bookcase. There it sits, until seven down demands to know the name of Falstaff's mistress.

## The text, shorn of all scholarly apparatus, reveals and heightens the quality of Shakespeare's poetry

Decades ago (from 1923), the Bodley Head published a series of "Quarto" texts of individual Elizabethan and Jacobean works, including some Shakespeare plays. They were fine for line, with no clutter of annotation, in original spelling ("hee" for "he", and so on); and small enough to slip in a pocket or handbag.

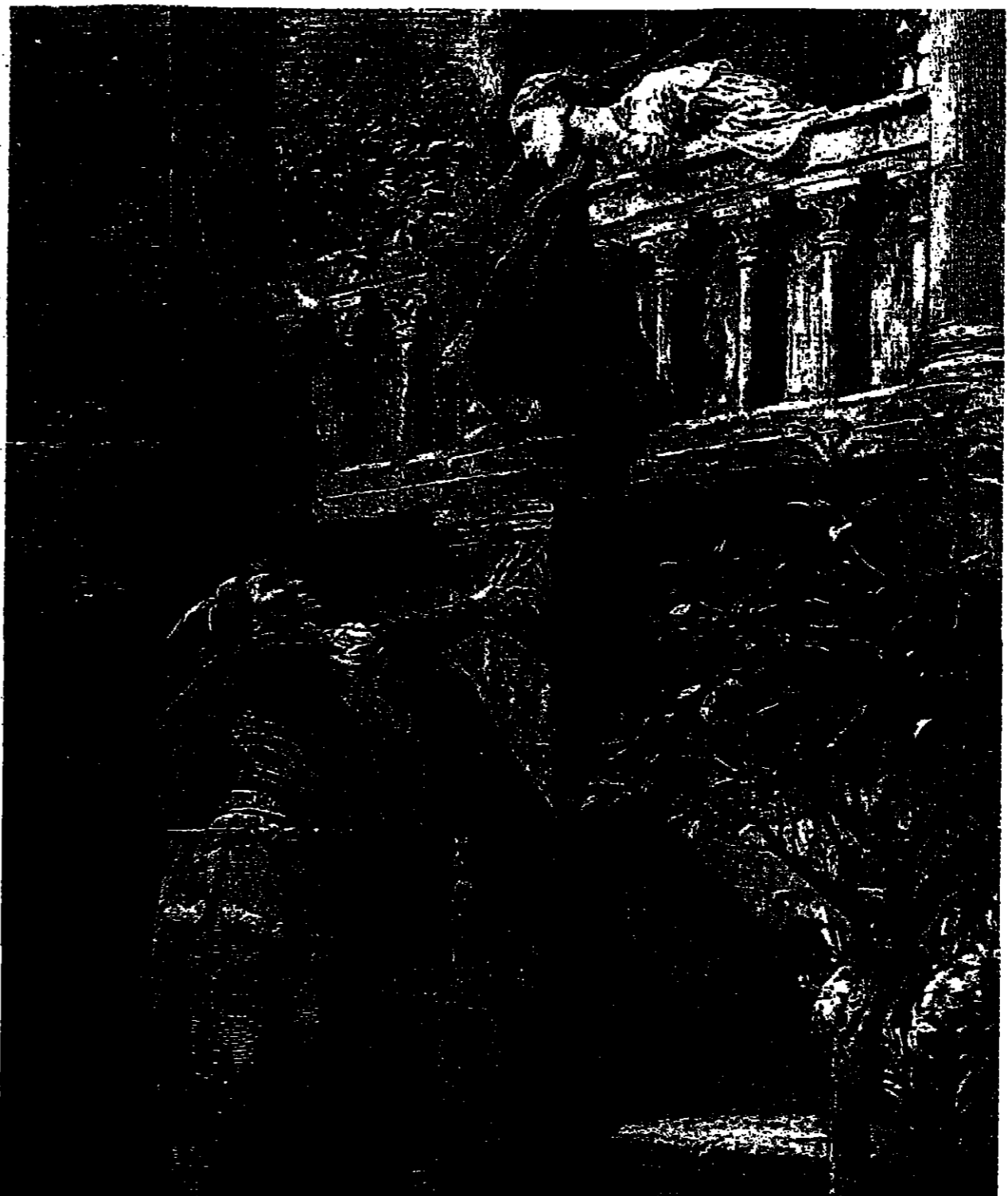
Of course there was an academic purpose to this series: there is nothing Shakespearean scholars like better than a tussle over "foul papers", when not the single autographed manuscript survives. But I see from my variously collected copies of the Bodley Head Quartos that their market evidently included the "general reader".

spare's 1623 First Folio is an event to salute. The publishers, W. W. Norton, have printed 3,500 copies, most of which will probably be summoned by libraries. But despite the hefty (920 pages) and the price (\$100) of the book, it should not go unnoticed by us bourgeois souls.

It was a hard sell, trading on a posthumous cult quickly consolidating (thought some argue that if Shakespeare died in 1616, he should have been trumpeted immediately). Ben Jonson added his dedicatory pitch on behalf of a one-time rival and companion - "Shine forth, thou Starre of Poets" - whose prolific capacity followed in the 35 comedies, histories and tragedies "published according to the True Originall Copies."

The Norton Facsimile is a collation, established by Charlton Hinman on the basis of the 32 oldest copies of the First Folio held at the Folger Shakespeare Library in Washington. Here is not the place to skirmish over the paleographic technicalities of Hinman's method, nor indeed the claims made by Heminge and Condell that they were working from the author's own papers (in which "hee never blotted out a line"). Let us assume that this First Folio is the basis of the Shakespearean "canon". Apart from the awe of the access to a bygone typeface, what do we get from the book?

The answer may seem paradoxical. The First Folio, shorn of all subsequent scholarly apparatus, reveals and heightens the quality of Shakespeare's poetry. This is



A classic interpretation of 'Romeo and Juliet': Norton's First Folio facsimile leaves the text unadorned

held text, with the bare minimum of stage directions. (If Heminge and Condell were working from prompters' copies, they must have excised a great many prompt-jottings.) It is also the supreme text for theatrical production. The 1623 preamble figures a list of 26 principal actors (including Shakespeare himself, and Heminge

and Condell), with the declaration that all of them took part "in all these Playes". Imagines it from the comic simplicity of *Two Gentlemen of Verona*, to the stately rhetoric of *Cymbeline*, each actor must have had Shakespeare's poetry as if it were (in Adrian Noble's phrase) "a pulse in the guts". So it is both a reader's and a player's book. Glancing

comparison with the collected works of, say, G.B. Shaw, will indicate how liberating the absence of bullying authorial instructions must be. Naturally: for in Shakespeare's case the author was also an actor, and knew that any playwright is devoid of proprietary rights. And so it is that this First Folio, whilst plump

with archaic charm, is at the same time a stern rebuke to those many pretenders taking the "I don't go to modern productions because of the liberties they take" line. Nowhere in the First Folio is it decreed that buskins and codpieces shall be worn. This is liberation Shakespeare: ours to glory in, and do with as we like it.

# Thriller Spot the rogue traders

**A** curious party game has become popular among some in Tokyo's financial community. The rule is simple: see if you can spot your enemies, or better still, friends, disguised in the pages of Peter Tasker's new financial thriller, *Buddha Kiss*.

Tasker is better known to readers of this newspaper as Dresdner Kleinwort Benson's financial strategist in Tokyo and Japan's top-rated analyst for the past four years. DEB clients will be tickled to read his latest book, which very entertainingly reflects some of those who prowl Tokyo's highways and corrupt byways. It is enormous fun, as well as - or so it seems - authentic.

Archetypes from the *Buddha Kiss* underworld include a rogue trader, a disturbingly well-connected bar hostess who does exquisite things with a soapy flannel; and a diabolical religious cult, whose leader seeks to take over Japan with the help of mind bending drugs.

**BUDDHA KISS** by Peter Tasker Orion £16.99, 394 pages

It comes with uncannily good timing, so soon after the mystical cult Aum Shinrikyo's gas attack on the Tokyo subway last year and the shaming of Daiwa Bank and Sumitomo Corporation by their own rogue traders. But then timing, presumably, is what DEB pays Tasker to be good at.

The other characters, too, are familiar. The hero, young Yorkshireman Richard Mitchell, is a former despatch rider who has come to Tokyo to make his first million as a securities analyst. His type is easily spotted in the less smart Koppongi watering holes, at least before their millions are made.

Mitchell's Japanese boss is a rare but still recognisable beast: the dotty Terumasa Yazawa, a rogue trader who believes that the secret to investment success is to "listen to the cry of the reptile within you" and who dares his young colleague to eat a surflet of lethally poisonous blowfish. "Do like James Bond!" Yazawa orders Mitchell, as he applies all means fair and foul - mostly foul - to coerce the reluctant junior analyst into talking up the share price of a dodgy trading company. You have to go to the really posh bars to find the Yazawas.

To give away much more about what brings together the trading company, the cult and the securities industry would spoil the story. Suffice it to say, it all begins with an earthquake in a Love Hotel, proceeds with the discovery of a murdered cult follower in a bath, and ends with a word of investment advice from Yazawa, gone into hiding in Canada. "What is isn't. What isn't is," he writes. Some Japanese equity analysts might agree, but not care to admit it.

There is another, semi-serious, theme. Being so familiar, the Japan in *Buddha Kiss* is a real reminder of the strains building up in what remains one of the world's most conformist cultures. Nothing is as it seems, reflects Mitchell as he tries to understand the colossal financial fraud into which he has been drawn. The same could be said for Japanese society.

Anyone who liked *Silent Thunder*, Tasker's first thriller, published three years ago - plot shadowy figures who run Japan behind the scenes try to take control of the world financial system - will relish this one.

**Bernard Gray William Dawkins**

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# Man is making dodos of us all

Michael Thompson-Noel explains the current rash of mass extinctions

**N**o one knows what caused the mass extinctions of species that have punctuated the history of life on Earth, writes David Quammen towards the end of this impressive and deeply moving book, which blends first-rate science journalism with superb travel and nature writing.

The competing explanations for mass extinctions of the past, says Quammen, range from gradual changes in climate to a "so-far-undetected Death Star that orbits mutually with our sun, exerting cosmic gravitational drag and pulling a shitstorm of killer asteroids through the vicinity of Earth every 26m years".

Mass extinctions of the first magnitude occurred at five points in Earth's distant history, each caused by circumstances among which mankind, who was not on the scene, cannot be counted. But the sixth big extinction is a radically different one. It is happening now.

It started a few thousand years ago, says Quammen, when Neolithic humans started venturing across the seas in open boats, colonis-

ing remote islands. At once, these human invaders killed off some of the endemic bird species they found, many of which were large, flightless and ecologically naive.

From the time of the Neolithic voyages until the present, 20 per cent of the world's bird species have been pushed into extinction. In recent centuries, what Quammen calls the "range of jeopardy" has widened - from birds to animals and plants of all kinds, and from islands to continents - as man's impact has spread in direct correlation with the growth of human population, technology and hubris.

"Nowadays," writes Quammen, "it's not just a question of dodos and elephant birds and moas. Nowadays we're losing a little of everything. Within a few decades, if present trends continue, we'll be losing a lot of everything."

The present wave of extinctions has been well addressed by other writers.

In contrast, Quammen's quest in *The Song of the Dodo* is the premonition known as ecosystem decay - the unravelling of ecosystems - and what is called island biogeography: the study of species distribution on islands, big and small.

They may be offshore islands, or oceanic islands far removed from land, or the island-sized fragments of continental land masses into which man and his outrageous activities and excesses above, all unsustainable breeding - are fast splintering our world.

Many of the world's grandest life forms (animal and plant) exist on islands. There are giants, dwarfs, crossover artists and nonconformists, says Quammen. Because of their limited size and isolation, islands make patterns of evolution - and extinction - stand out starkly. "The evolution of strange species on islands is a process that, once illuminated, casts light on its dark double: the

extinction of species in a world that has been hacked into pieces."

Quammen's travels take him far and wide, to Komodo, for example, to investigate the status of the so-called komodo dragon - actually a giant monitor lizard - that lives on Komodo, Flores and a few other tiny islands of central Indonesia. Originally, it is thought, komodos preyed on two species of miniature elephant. Now they live chiefly on deer and wild boar, although some, ironically - about 3,600 are thought to survive - are fed on sacrificial goat to entertain tourists.

It is a pity that modern eco-tourism did not arrive in time to save the Tasmanian tiger, or thylacine - in reality, a sleek, striped, elusive nocturnal and prognathous marsupial predator. Its population was never large, but it was doomed from the moment it learned to kill the colonists' sheep. Bounty hunting of the thylacine started in 1830.

In July 1996, two months before the last known individual died, Tasmania's state government declared *Thylacinus cynocephalus* a protected species. There were reports of sightings until well into the 1990s. Like so much of this book, Quammen's description of his trip into the Tasmanian bush to look for the thylacine is beautifully written and wrenchingly sad. Perhaps a small number of thylacines survived into the 1950s or 1960s. But, almost certainly, they are now gone for ever.

Quammen also visits Mauritius, where the last credible eye-witness account of living dodos dates from 1662. The power of Quammen's writing is epitomised by the

reverse, for Quammen, refreshingly, is not an optimist. (He could be a wrong-headed pessimist, of course, but I, for one, am thoroughly fed up with cock-eyed optimists).

For his last chapter he visits Aru, a hard-to-reach group of islands off the south-west coast of New Guinea, where he is taken to see a treetop of squawking birds of paradise.

The dire things that have happened elsewhere - massive habitat destruction, ecosystem decay, extinctions - have not yet happened in Aru. "Probably they soon will. Meanwhile, though, there's still time. If time is hope, there's still hope." But he offers very little of it.

Assuming that man himself becomes extinct, says Quammen, the sparrows, cockroaches, rats and dandelions that survive us should eventually give rise to a new inflorescence of diverse species. Eventually, visitors from a distant planet may study the evidence and wonder what happened on Earth to cause vast losses of species at six points in time. Perhaps they will find an answer. Or perhaps, like us, they won't.

## THE SONG OF THE DODO

by David Quammen Hutchinson £20, 702 pages

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There is much more in a similar vein; enough in fact to make an MoD press officer swoon with ecstasy. There is little sign of the morale-sapping copy which the brigadier claims dragged him down.

Even in the incident which clearly caused the most difficulty, Cordingley can have little room for complaint. Defence correspondents, who

whether "commanders can now be ruthless enough, in a television age, to pursue the enemy to the limit."

All of these irritations may be excused as the contemporary account of a commander's feelings. Yet over five years after the end of the Gulf war, the complaints look giggling and misplaced: it is Cordingley's inability to restrain his bitterness which seems to trivialise the threat which his men faced.

And there is a bigger problem with Cordingley's complaints about the media: a review of the articles published at the time does not support the idea that the press was trying to generate emotional scare stories. Indeed, if anything the broadsheet newspapers were excessively gushing in their support for the brigadier and his Desert Rats.

for the most part had to provide specialist analysis of the crisis from London, were flown to the desert to meet the brigadier during the build-up to war. The reports who were there, such as David Fairhall of The Guardian and Peter Almond of the Telegraph are thoughtful and experienced defence writers, a far cry from the haying press pack which Cordingley implies he faced.

In his attitude to the press Patrick Cordingley differs little from many other brigadiers and colonels. Officers at that level stand at a watershed in their careers: up to that point their focus has been on becoming successful soldiers, beyond that more and more of their time is spent in the black arts of politics and the media.

Successful soldiers, and for that matter the leaders of large businesses, learn that lesson and use it to their advantage. There was an example close by: General "Stormin'" Norman Schwarzkopf's theatrical performances at Gulf war press conferences helped maintain support for the campaign in the US. Brigadier Cordingley would have been better employed spending the last five years learning from the general's example instead of polishing old grudges.

Many officers, unskilled in these dark secrets, tend to regard the media as a bolt-on nuisance, which they can deal with when they have finished their "real" job. In fact, maintaining public support is vital to any western officer who wants to achieve a military objective, and the media are powerful forces in

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## BOOKS

# Balliol boy who went to the bad

J.D.F. Jones has little time for an arrogant, greedy dope smuggler

Balliol men are notoriously supposed to exhibit an "effortless sense of superiority". Howard Marks runs true to that arrogant tradition: after a long career as Britain's biggest dope smuggler (he insists that he never touched hard drugs), his cheerful and unrepentant account of his life seems to imply that his old college might be proud of him.

He would be wrong. Marks was a Welsh boy who made it to Oxford in time for the dramas of the mid-1960s. He discovered the pleasures of cannabis, and then he realised that there was big money to be made out of "supplying a badly needed service". He explains, with a *faux naïveté* unworthy of Balliol, that he "couldn't begin to condone the punishing of those who wished to smoke marijuana and, therefore, could not logically condone the

illegality of the hashish trade...". So he became a very successful smuggler, and made, and spent, a great deal of money. Eventually, many years later, he was nailed down by the US Drug Enforcement Administration and spent seven years in American jails.

Mr Nice is his own story of those years of high-living and round-the-world adventure and misdemeanour, starting with a connection with crooked Pakistani diplomats, continuing with a long and profitable link with renegade IRA elements and including a very brief flirtation with M16 which was later to make Marks a popular figure in

the tabloid press. After six years on the run, without any great anguish, and after a prison spell in the early 1980s, the focus switches to the Far East. There are three particular villains in Marks's account: Special Agent Craig Lovato of the DEA, who did his job. Lord Moylan, the (late) renegade peer, who shopped him, and his colleague and brother-in-law Patrick, who filled in the details for the police.

Marks admits it all, without any apparent shred of remorse, and tells the story of these years in extreme detail. Nothing is left out, it seems, from the sexual experiments of childhood to the bewildering flight schedules of

the Near and Far East in the 1970s. Presumably he has reinvented much of this, not least the dialogue of encounters 25 years old: unless he enjoys total recall, which after a lifetime of daily

MR NICE  
by Howard Marks  
Secker & Warburg £16.99, 466 pages

Inhalation seems unlikely, he is giving us a version recollected in Spanish tranquillity - and it is noteworthy that the detail falters only in the years in an appalling US jail, an experience which, for once, Marks does not wish to dwell on.

Heaven knows how much of this we are to believe. There is a great deal of indiscreet name-dropping which the lawyers must have allowed - the Goldsmith brothers, Christopher Hill, Lyall Watson, the O'Hanlons, and the trendy Amabelinda dress shop in Oxford, funded with drugs money. How much of this is accurate? The description of his Oxford contemporaries Chris Patten (Hong Kong) and "Rick" Lambert (our sainted editor) as "heavy drinkers" manifestly betrays that much of this is fantasy!

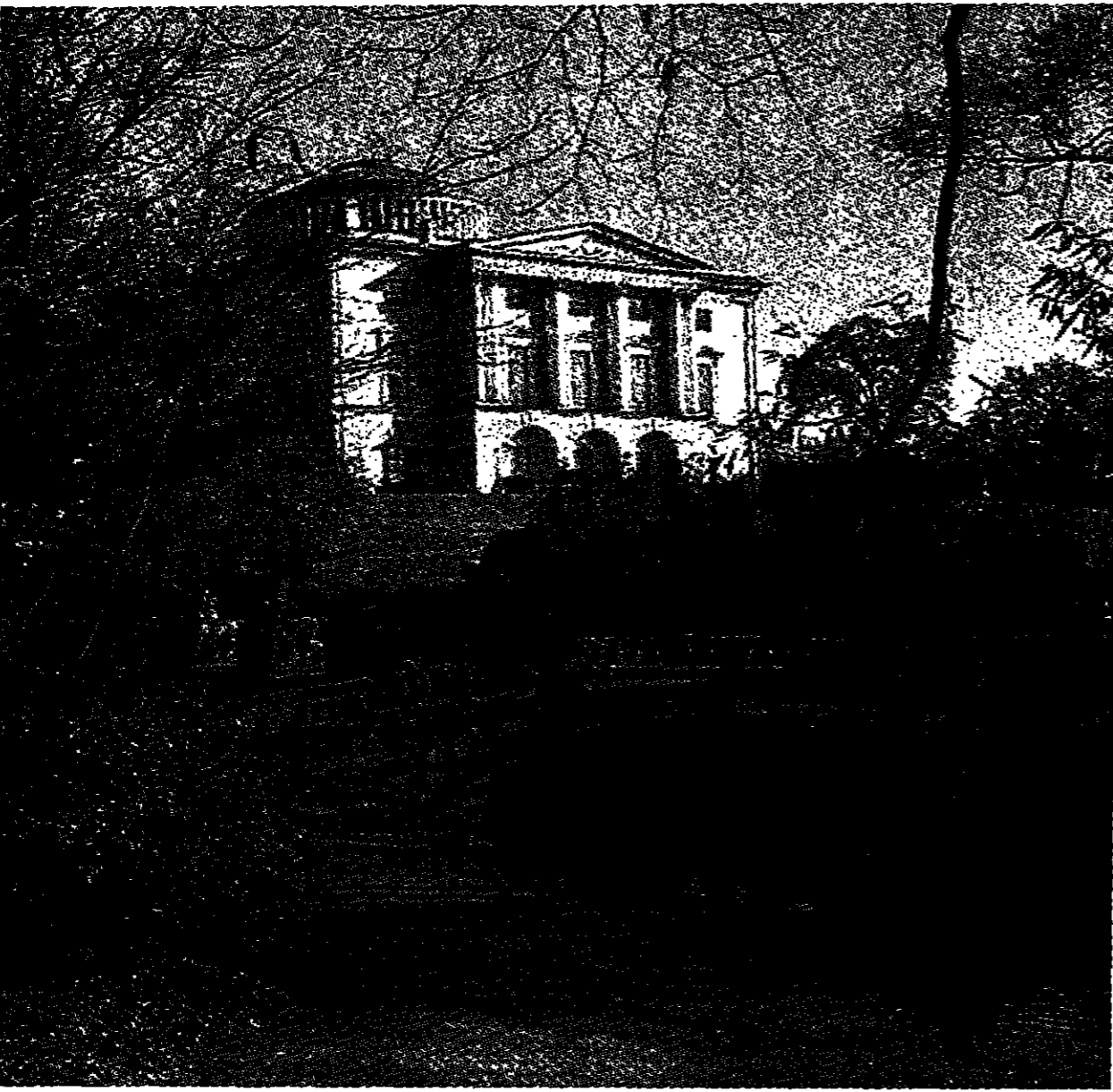
The more serious point is that Marks appears happily oblivious of the deeper issues which are

raised by his smuggling career. "We weren't the Mafia. We weren't the IRA. We weren't even Robin Hood and his Merry Men. We were just a bunch of easy-going guys who took the easy way out when the rest of the world went mad and ruthless...". Simple, isn't it? Very rarely, a truer motivation appears. "The fame I'd longed for ever since I was a Welsh swot in school was now well and truly mine. I loved it." (At this point his wife is in jail and cracking up, and his parents have sold their retirement home to pay for his defence.)

But there is an even simpler motivation, and the American

prosecuting attorney spotted it: "He has completely self-destructed and was probably motivated by his greed..." To which the judge added, in sentencing Marks to 25 years, "You have been quite willing to ignore, or studiously violate, the laws of many countries. You have demonstrated that you have little respect for the laws of society as expressed by criminal laws which do not conform to what you believe to be acceptable conduct." There it is: Howard Marks was greedy. Even simpler.

Mr Nice confirms that Marks must have traded on a gift of extraordinary charm, and remains proud of it. The publisher's quote on the jacket gives the game away: "You'll like him!" Will you? Why should we? As another Balliol Welshman, (though a non-inhaler), I invoke the right to say that he sounds to me like an absolute shut.



The Palace and the Centaur Bridge at Pavlovsk, one of the Imperial summer residences built by Charles Cameron for Catherine the Great

# The theme parks of Tsarist Russia

Colin Amery admires the work of the Scottish architect summoned by Catherine the Great to St Petersburg

We know that the Empress of all the Russias, Catherine the Great, was a woman of formidable energy and taste. Her love of beauty extended to each of her hand-picked male favourites as well as to her palaces and possessions. Her tough and imperious character enabled her to dispose of her husband, assume his throne and create her own world in and around St Petersburg.

It is at Tsarkoye Selo and Pavlovsk, the Imperial summer residences, that the Empress used the services of Charles Cameron - a Scottish architect and scholar of antiquity who from 1773 became one of the court architects of Russia.

There has long been a need for a book to tell the extraordinary story of Charles Cameron (1745-1812), the son of a Scottish builder and carpenter based in London. He had worked with the architect Isaac Ware, although he had built nothing in England to his own design. But in 1768 Cameron went to Rome to measure and draw the baths and ancient ruins, and the publication of his archaeological

researches in 1772 became a text book of neo-classical ornament and design.

There was great interest at the court of Catherine the Great in the cultural life of England and her spies had heard of the young Scot's activities in Rome. The royal summons to Cameron came because the Empress wanted to build for herself a Roman world at Tsarkoye Selo (she even threatened to put her courtiers in Roman dress).

It is hard for us to see the world as the 18th-century mind saw it. We travel on jets, look at rain forests and see the treasures of the earth in great exhibitions. Travellers in the 18th century were few and the word and the image was spread slowly by book, letter and print.

Artists tried to capture exotic subjects, but only a monarch as rich as Catherine the Great could afford to bring the wonders of the world to her own realms. Her summer palaces were highly civilised theme parks, and any visitor entering Tsarkoye Selo ("Tsar's Village") would have passed through Egyptian gates, circled a Chinese village and progressed through ancient

Rome to be met by the Empress in rooms lined with silver or agate and sprinkled with precious stones.

Dimitri Shvidkovsky writes evocatively about Catherine's world, but as an architectural historian he is naturally interested in the

THE EMPRESS AND THE ARCHITECT: BRITISH ARCHITECTURE AND GARDENS AT THE COURT OF CATHERINE THE GREAT  
by Dimitri Shvidkovsky  
Yale University Press £29.95, 282 pages

I wanted to know more about the close relationships which all the exiles had with the Empress. I suspect not much is known, so inevitably this book has much speculative stylistic analysis. The chapters on Orientalism in Russia and Russian neo-Gothic have their longeurs, but the weight of architectural scholarship is gloriously redeemed by the illustrations.

Cameron was a genius, the Empress was a visionary and together they made some of the most beautiful places in the world. To walk today on Cameron's colonnade at Tsarkoye Selo is still a powerful and enchanting experience. Enriched by this book the reader is left wanting to know much more about what actually went on in these sumptuous palaces. For that we need Catherine the Great's diary.

David Malouf sits at his desk, fountain pen in hand, surrounded by books. The very essence of the distinguished man of letters at work? Partly. He is certainly both distinguished and working, but when we met at his publisher's office last week the neatly staid Malouf was surrounded by 500 copies of the same book: his latest novel, *The Conversations at Curlew Creek*. As he worked his way through the huge piles I asked whether he enjoyed the giddy world of modern book promotion. "No", he unsmilingly replied, citing another 300 he had to sign four days later when he returned to his native Australia, but he does it all the same.

This reluctant professionalism is curiously refreshing. While Malouf is quietly co-operative, there is an underlying non-nonsense rigour to his demeanour which makes it clear that the books come first and talking about them comes a distant

## Fictional trips through Australia, America and Ireland

# A night in the outback

Nicholas Wroe talks to David Malouf about his latest work

fourth or fifth. And why not? Now in his sixties he is regularly honoured as a writer of international stature. His books not only speak for themselves, they shout, and in May he picked up the world's largest literary prize for a single work, the £100,000 IMPAC Award, for his novel *Remembering Babylon*.

Like *Remembering Babylon* (which amongst all the praise also sustained a memorably ferocious attack from fellow Australian Germaine Greer live on BBC television) *The Conversations at Curlew Creek* is set in the 19th-century Australian outback. Malouf's original idea for "two men in a hut at the end of nowhere, in some unspecified time, talking of

last things, could have worked as a play", he explains, "but fiction demands what Nabokov calls 'lovely irrelevant detail', and so you have to have a particular place at a particular time.

"There's something in all my books relating to the accidental nature of what happens to people", says Malouf. "I think there is always an alternative fate, a ghost fate, which remains there even after it has been rejected." "Another road", as Frost would say, "not taken". These other roads are never entirely closed off in *The Conversations at Curlew Creek*. There is no definitive statement of the bond between the two men and the book is the stronger for

it. By the end, Malouf's precise, pared down prose would make anything less than ambiguity appear crudely incredible.

Also a poet and librettist, Malouf is absorbed by the way the "discipline of language shapes what is actually said. It leads to daring and surprising discoveries", he says. Although himself of Lebanese and Sephardic Jewish extraction, he contends that it is this linguistic, rather than class or racial, influence that most heavily shapes the culture.

"At the last we all come home to our various forms of English. It's not a popular thing to say in Australia, but when people ask me who is the greatest Australian writer, I say Shake-

speare. There's a bit of embarrassment about that because a quarter of our population were born outside of that culture. But the one thing that holds the nation together is the language. They are going to have to inherit the language if they want to inherit the culture and if we don't give that fully to people as quickly as possible, we are depriving them of power in our society."

Malouf now inhabits a similar position in Australian writing as that previously held by Patrick White. The addition of *The Conversations at Curlew Creek*, a wonderful novel, even better than *Remembering Babylon*, makes for a formidable impressive body of work. He

has chosen the high plains of New South Wales in 1827 as his setting. Carney, a captured bushranger, spends the night before his execution in the gloomy hut with his fellow Irishman Adair, the officer charged with overseeing the hanging. "It was a time when everything was in flux and the country hadn't really come into exist-

ence", explains Malouf. "It was the beginning of the bushrangers, troopers and dissident Irish, things that are now very much part of Australian mythology. The country at that time was obsessed with the danger the Irish represented and it was terrified that the political Irish would create some kind of rising. The irony is

that while many of the bushrangers and potential rebels were Irish, so mostly were the police force."

There is something of a recent trend in Australian writing - Thomas Kenally amongst others has set a work in the same period - to create a fictional Australian history, "to get below the facts of what happened", says Malouf. But while his last two novels have used Australian history and landscape, they essentially deal with material too ambiguous and universal to be pinned down to national concerns.

*The Conversations at Curlew Creek* loops back to Ireland where events and personalities from Adair's childhood increasingly inform his relationship with Carney. As the two men probe, ultimately inconclusively, the mechanisms that brought them to this cold hut, and why one of them is to die and the other is to kill, the happenstance of their lives is marshalled into meaning.

Intellectuals tend to look with a jaundiced eye upon brave new worlds that promise or promote moral redemption. New novels by Ackroyd and Ballard, both wicked post-modernists, both writing of new communities, provide dystopian visions of self-protective societies, utopias soured by introversion and self-interest.

Ackroyd's *Milton* is something of a Gulliver, washed up on the coast of New England in the mid-17th century and taking shelter among pioneer Puritans staking out the physical and moral landscape for themselves. Taking Milton's social writings - tracts, polemics - at face value, much as one might adopt Plato's *Republic* as a handbook for the rules and laws of a social paradise, Ackroyd enjoys himself thoroughly. Milton becomes the dictator of a small settlement that calls itself New Milton, and almost immediately comes into conflict - religious, moral, intellectual, physical - with a colony of Virginian Catholics who settle nearby and who attempt to live harmoniously with local Indian tribes which are here pres-

## Brave new utopias lost

ented as intrinsically virtuous, living in a state of Rousseauesque natural grace.

Mistaking native Indian Houyhnhnms for Yahoos, Catholic libertarians for libertines, and generally inverting the natural world into a goddess society, Milton - in his actual and metaphysical blindness - inevitably recreates precisely the conditions of the Puritan and Catholic England he has fled. Milton himself, in his greatness and gullibility, is re-invented by Ackroyd as a tremendous, humourless comic character.

Moral redemption is offered to Milton when he breaks a leg, finds himself isolated from his own people, is succoured by a tribe of Indians and experiences a form of hallucinatory, drug-induced vision of Paradise. Miraculously, he recovers

his sight, which he loses when he rejects his paradisaical vision. Paradise lost, he returns to the moral, religious fray he has incited.

Back to the future. J.G. Ballard's *Cocaine Nights* is a MILTON IN AMERICA by Peter Ackroyd  
Sinclair-Stevenson £15.99, 277 pages

COCAINE NIGHTS by J.G. Ballard  
Flamingo £16.99, 329 pages

disturbing, somewhat alarmist warning against the spread of self-contained, self-sufficient enclaves constructed by the rich as redoubts against the rest of humanity. The Club Nautico, in the Spanish resort of Estrella de Mar, is a luxury residential development near Marbella. This is Stepford-on-Sea, an idyllic community of European expatriates, British mostly, who have

taken their money and run for their lives from the bleak, terrifying realities of life beyond Ivory Towers.

A mysterious house fire kills five people, and the manager of the Club Nautico, Frank Prentice, is arrested for murder. His globe-trotting brother Charles, a travel journalist, rushes to the scene, convinced of his brother's innocence - although Frank resolutely proclaims guilt.

The novel is reminiscent of *White Noise* - a gilded, leisured society whose secret world of sex, drugs, drink and moral degeneracy is exposed by an act of violence. The orchestrator of this utopia is an amoral young Englishman, who charms and draws Charles into Frank's world, frankly exposing its white, sunlit, seductive horror. Guilt, Charles discovers for himself, is not a simple matter.

There is a conventional Dick Francis thriller quality to the first half of Ballard's novel, after which it takes on an Arthur C. Clarke flavour of apocalyptic social implosion. Both aspects are very satisfactory.

Iain Finlayson

Right at the heart of Seamus Deane's extraordinary first novel, *Reading in the Dark*, is a chapter that offers a startling insight into the buried loyalties and the raw, seething grievances of Ireland's fractured Northern province.

In a futile effort to uproot the family curse - the hereditary mark of the IRA informer - Deane's young protagonist desecrates his father's rosebed, hacking away at the bushes with a pick axe. In retaliation, the father concretes over the garden, hoping to smother the past. But history cannot be so easily silenced. "Walking on that concreted patch where the bushes had been," says Deane's boy-narrator, "was like walking on hot ground below which voices and roses were burning."

*Reading in the Dark* is, essentially, the chronicle of a post-war Derry childhood, told within a time-frame closely mirroring the author's own. Short, staccato chapters dance between formative adolescent events and gums of local lore: a priest's cautionary tale of a penitent murderer; the story

of a man who was struck dumb after an amorous encounter with a satanic fox.

As with the best of Deane's poetry, such personal, anecdotal details bloom ferociously into cold, brutal politics. The contrite murderer turns out to be the protagonist's grandfather, an IRA officer who ordered the execution of the boy's "informer" uncle. And the mute, now ansrained in apocryphal local superstition, is revealed to be the uncle's executioner, unable to speak again after his deed.

As the Troubles begin to flare up again in 1968, we find the protagonist's aged mother, speechless after a stroke, preparing to take her betrayal to the grave.

*Reading in the Dark* is as stubbornly wandering and unabashedly evocative as any first novel by an eminent poet should be. The language is radiant and musical. The characters are beautifully crafted "vessels

## A touch of the Irish

storing reservoirs of pain. But it is the sheer, exhilarating force of Deane's storytelling - a rare quality in the post turned novelist - that ultimately gives the book its inexorable power.

Emblazoned on the cover

READING IN THE DARK  
by Seamus Deane  
Cape £13.99, 233 pages

EUREKA STREET  
by Robert McLiam Wilson  
Secker & Warburg £15.99, 396 pages

of *Eureka Street*, Robert McLiam Wilson's new work, is a brush-sub-titled proclamation: "a novel of Ireland like no other." But what might seem like an unforgettable conceit is actually a climbdown from Wilson's earlier claims that it would be "the Belfast *Ulysses*."

Under the weight of such expectations, *Eureka Street* can only be deemed a resounding failure. Which is a pity, because it is quite an accomplished piece of work. A relatively plot-free affair, it follows the fortunes of an ascertained group of young Belfast lads: the Catholic hard-man Jake who has a preferential talent for scuttling his own romances; the ardent Chuckie, a Protestant working-class boy on the make; Roche, a lippy street urchin; and innumerable others. Many of the novel's set pieces are uproariously funny, particularly Chuckie's sex-toy scam in which refund cheques are stamped with the legend "Giant Dildo Refund" in the hope that recipients will be too embarrassed to cash them.

Ultimately though, *Eureka Street* amounts to no more than a diverting comedy closer to a Belfast *Beryl Bainbridge* than to Joyce. If Wilson would just abandon his wilful use of off-key metaphor and stop believing he is a genius, he might be considered, to adapt one of his own coinages, an unbad novelist.

John O'Mahony

مكتبة الصلح

ARTS

Sophocles - in style

In what style do you stage a Greek tragedy these days? Naturalistic treatment is virtually impossible, because of the several choral odes in each play. Style, therefore, must be evident, and must be carefully determined; but what style? Peter Hall's National Theatre staging of Sophocles's two extant Oedipus plays - new in late August in Epidaurus, and reviewed by David Murray then - is among the best large-theatre accounts of Greek drama that I have seen, but it is also the most style-laden. Style comes in several layers. Masks are worn by all the players. Even when one actor is addressing another, their heads and bodies remain facing the front. The choral players employ small amounts of gesture, dance, song, and tableaux - although the main choral odes are delivered chiefly in speech. Not only is Ranjit Bolt's English translation in rhyming couplets - though the choral odes are more varied rhyme - but Hall has also encouraged his actors to end-stop their lines very emphatically. The actors' vocal style, though often quiet, is marked, in most cases, by emphatic vibrato, and by other quasi-musical cantilena devices. Some of this is maddening, and some of it is excellent. But, be it noted, its emphasis is either pre-classical or post-modern. The language of Sophocles, however, is composed with much the same kind of classicism that we admire in the Parthenon, in Praxiteles, and indeed in Epidaurus. Bolt's free-and-easy translation maintains a very peculiar tension with the exaggeratedly formal style of verse-speaking that Peter Hall has given his cast. Style, style, style. Here it is so much in the way that several times in either play my concentration breaks. Hall employs several of our most elaborately artificial actors - not only Alan Howard, but also Suzanne Bertish (Jocasta) and Jeffrey Kussoon (second Messenger), who all chant and gesture their way through their idea of the grand manner with lavish technique and calculation. Howard, however, so full of intelligent insight, keeps drawing attention back to him. In Oedipus the King he is finally moving when, blinded, he greets his little daughters as his sisters; and frequently throughout Oedipus at Colonus he captures the right note of mystical enlightenment alternating with severity. Greg Hicks, though applying too many effects to his account of Tiresias, plays Polynices with telling austerity, and Tanya Moodie's simple account of Antigone has unmistakable sincerity.

And yet both plays succeed - Oedipus the King in the last resort, Oedipus at Colonus from the first. The two plays, though written decades apart, make a marvellous diptych. In the former, Oedipus falls from ignorant pride into horrified knowledge; in the latter, he ascends from pathetic to wisdom, from vulnerability to inflexibility. Although Judith Weir's musical conception is inconsistent, leaving choral odes to be spoken but adding underswells to some of the dialogue and speeches, it lends a beautiful radiance to the Colonus play, with female voices floating on the air. (Sometimes they sound like Rhinemaidens in the Auvergne; sometimes they sound like Britten, in post-gamelan phase, writing Lakmé.) Dionysis Fotopoulos's masks - ancient and modern at the same time, placing a box-like resonance around each actor's voice - and costumes work very beautifully, at once deleting and intensifying the individuality of each player. A.M. At the Olivier Theatre, South Bank, SE1.



Stephen Rea and Lindsay Duncan in Harold Pinter's 'Ashes to Ashes'

Art of non-communication

Alastair Macaulay witnesses Pinter ambiguity carried to virtuoso heights

Are these two people conversing, or are they locked into twin soliloquies? That people can talk to each other without communicating is part of what the theatre of Harold Pinter has long expressed. Among contemporary artists in any genre, only the choreographer Merce Cunningham has this same marvellous skill: to show two people in co-existence, sometimes responding to each other, often resting each other's approaches, and each actually so independent of the other that at several points they ignore each other. Watching and listening, we feel the inalienable privacy of the one whose space is being invaded, or whose liberty is being threatened, or whose past is being investigated - and, at the same time, we feel the loneliness (and the need) of the one who threatens, or approaches, or asks. In Ashes to Ashes, Pinter's latest play, he carries this ambiguity to virtuoso heights. I write, both confused and excited, in the two hours that follow its world premiere, given by the Royal Court, as it commences its new residence at the Ambassadors Theatre. Although the play has been published (by Faber) and although no contemporary dramatist is more rewarding to read than Pinter, it is best to encounter this play for the first time in the theatre, and to feel the unique concentration with which Pinter handles language, and silence, and people, and the space between them. It is witty, poignant, and mysterious, all to a very high degree. On first acquaintance, its female role seems among the most remarkable he has ever written; it seems to be his finest work for at least 14 years; and it contains a high number of masterstrokes. Man and woman - Devlin and Rebecca - in a single scene unbroken save by pauses, talk; and that is all. Pinter has made this miniature on what Jane Austen called her "two inches of ivory"; and at times the domestic tensions between his couple are as deadly as if scripted by Ivy Compton-Burnett. Less than an hour long, Ashes to Ashes has more drama every five minutes than most playwrights ever learn. I am impatient now to read it and then to revisit it in performance. Many said last year, and again earlier this year, that David Hare's latest play, Skylight, showed how a personal drama about two people can in fact be a drama about politics. That is true again, far more subtly and profoundly, of Ashes to Ashes: just how much so only becomes fully apparent in the last few breathtaking minutes. Much will be said, as always

with his work, of what Pinter is saying in this play; and that is right. But it may be more important to say that not understanding Pinter is a very great pleasure. To feel the elusiveness of his meaning is, in fact, to come very close to its essence. People, he keeps saying, are inexplicable. And the poetic beauty of his art lies, of course, in the way he says this, and shows it. In Ashes to Ashes, what is more, Pinter is his own director (directing a premiere of his for the first time); and, in the performances of Lindsay Duncan and Stephen Rea, each angle of a brow, each beat of an eyelid, every foot between the

two actors, seems charged with ineffable meaning. If there is one bolt more breathtaking than any other, it occurs, I would say, just over halfway through. It is mainly Devlin who interrogates, and Rebecca who keeps eluding him. (When, once, he grasps her physically, it becomes especially clear how fully she eludes him in spirit.) Often she resists him by telling him of the past - of her past, which he does not share. Her memory of an unnamed man is an especially strong threat. But she also uses memory to reveal herself; and suddenly,

astoundingly, her memory arrives at this: "And my best friend, the man I had given my heart to, the man I knew was the man for me the moment we met, my most precious companion, I watched him walk down the platform and tear all the babies from the arms of their screaming mothers." This is one thunderbolt, and it is followed by a silence; but more breathtaking - like a slap in the face to her - is Devlin's next question: "Did you see Kim and the kids?" Is he flatly refusing to listen to her revelation, and switching to quotidian banalities? Or have her words been in fact her unspoken thoughts, and

has Pinter "cut" straight to Devlin's next question as if using collage technique? In this play, the interior and exterior are very remarkably spliced together. At several moments, Ashes to Ashes enters terrain that earlier Pinter plays have crossed. Now it resembles the political interrogation of One for the Road, now the jealous insecurities of Old Times, now the parallel but sundered male-female talk of Landscape. And each time it swerves and takes us where he has never taken us before. At the Ambassadors Theatre, WC2

With the Royal Shakespeare Company's production of A Midsummer Night's Dream

already installed at the Barbican, the revival of Britten's Dream at English National Opera makes for the kind of happy double one would normally expect only at a festival. Although it was written for the confines of the Jubilee Hall at Aldeburgh, the music seems perfectly at home in the Coliseum: all those distinctive glissandi wait up to the rafters in the same luminous, haunting way as The Turn of the Screw did in the same theatre. It is a credit to Steven Bedford's precise and idiomatic conducting, and the quality of the ENO orchestra, that Britten's instrumental effects come across so well. This is the first revival of a production ENO imported in May 1995 from the Aix festival, and its provenance is written unmistakably on each scene. The Canadian

Opera/Andrew Clark The 'Dream' as panto

director Robert Carsen, and his designer Michael Levine, tailored their approach to a French summer audience. The result is a divertissement - all clean lines, bright colours and jokey repartee. This is the panto approach: the magic and maze of human relationships are pushed aside in favour of toy emotions and international chic. There are no undertones, all is on the surface. It depends how you like your Dream. If you want to see lovers acting (and dressed) like debutants, and mechanicals deprived of their primitive innocence, this could be the Dream for you. If you want a Dream that matches the depth and

symbolising nature - has been whisked away in an empty coup de théâtre. This revival, directed by Carlos Wagner, depends heavily on old Britten hands like Bedford, Lillian Watson, Roderick Kennedy and Gordon Sandison. Watson's Tytania is as subtle as ever, and unlike several other members of the cast, her every word counts. As Bottom, Kennedy had a subdued roar (he was mildly indisposed), but still came across convincingly. Sandison's Quince, dressed like a cloaked union official, was subtly stoked. Milton Varolmon is the infectiously earthy Puck. The young American counter-tenor David Daniels has Oberon in his voice but not yet in his bones: this was a tentative London debut, lacking authority and menace. The other principals, all ENO regulars, have little chance to shine. Performances continue till October 7 (0171-632 8300).

Radio/Martin Hoyle Domestic strife

rich mixture of the conviving husband's political background (historically he even managed to take control of his Jacobite brother's estates, emerging from rebellion smelling sweeter than a pomander) and the Celtic wildness of the madwoman's exile, its superstitions manipulated by villagers jockeying for influence, a reflection of the power struggles on more public stages further south. The brew of folkiness, felony and yeast, apart from some grating modernisms in some grating modernisms in the dialogue, the howling northern bleakness and the poor lady's rambling turning up a sort of feminist age of enlightenment Lear. The one upshot in the English type who was the English type who navigated much of the action in a modern, suburban and thoroughly baff delivery. Otherwise this made a gripping and haunting 90 minutes. Now that the clownish decision has been

one Catholic mother recounted how she carried out a DIY baptism over the kitchen sink (apparently permissible in extreme circumstances) and felt much better on behalf of her child. Others spoke of unconscious unkindness from in-laws lamenting the lot of mixed-marriage children. One Catholic mother, herself a headmistress, had been summoned by the outraged head of her daughter's primary school on hearing that the girl was going on to a Jewish secondary school; her priest, on the other hand, thought it a lovely idea. Perhaps the most fascinating aspect in Sue Margolis' investigation was the actual attraction between Catholic and Jew, those elements that draw them together: tradition, discipline, strong family background - oh no, not that again... Book at bedtime has gone all English on us with "the nation's favourite poems", variably read. This is the poetic equivalent of These You Have Loved: you can practically recite-along John Nettles, Siobhan Redmond and some rather nerdy-sounding young suburbanites in need of elocution lessons. But, as with all popular classics, the odd treasures are thrown up: "Adlestrop", "Ode to a Nightingale" - good God, Paul Gambaccini will be introducing them next.

Since that early sibling rivalry between Cain and Abel, since the troubles that dogged Maïson Atrous, family life has provided such nasty examples of barbaric human behaviour that it comes as no surprise to find family values earnestly advocated by politicians, a breed not notable for its grasp of reality. Fact is stranger and more barbaric than fiction where families are concerned, as witness last Monday's play on Radio 4. Eurdalan recounted the grotesque tragedy of Lady Grange who, having forced her husband to marry her by holding a pistol to his head, was eventually shipped off to the island fortress of St Kilda where she was detained as mad, while her spouse pursued - no prizes for guessing - a prominent career in politics. The story is based on fact. You can study the faces of those concerned in the Scottish National Portrait Gallery in Edinburgh: remarkable 18th-century pragmatism battles with old beliefs - the family was involved with Jacobite uprisings; Scotland continued to execute witches long after the English, though not as long as the Irish who put their last witch to death in the naughty nineties, a mere century ago. Judith Adams's play was a

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ARTS

# Triumphs of unreason

Television/Clement Crisp

Little remains of my school Latin - it is not so much a question of declining *mensa* as of rejecting it utterly - but I remember that a sentence beginning with the word *Nam* expected the answer "No". The perfect example today is that all too familiar question: "Is there anything on television?" On the assumption that those involved in this exchange have an IQ greater than their age, the answer is as anticipated. A stranger to our TV schedules might be forgiven for assuming that the majority of programmes were therapy ranking no higher than finger-painting.

The belief that viewers are dumb-chicks seems a guiding principle with the masterminds who plan our viewing. Daytime listings offer the triumph of unreason. Last Friday proposed a film starring a dog; a cartoonist showing "how to draw ordinary objects"; five cookery programmes; a re-hash of sporting thrills from the past (television has in-built nostalgia: it returns to its own past like a dog to its vomit); three pickle-makers starting up a business; 45 minutes (count each one as a head on a rosary of tedium) devoted to sheep-dog trials; a documentary about

a shipwreck in 1899; something cheering on the increased cost of funerals (so re-assuring for the house-bound elderly who presumably watch this stuff); a discussion about house-work (ideal for house-wives who haven't had enough of it during the day); a shopping game (for those in need of more check-out fun); the last in a series about how "ordinary people, work and leisure are absent from early factual film-making" (a truly hypnotic subject); another instructive half-hour about drawing; sporting events; an old film or two, and our daily ration of Australian soaps (heavily populated with teenagers on heat).

This torrent of mediocrity sweeps through our homes, damnable and undammed. Of course, we don't have to watch, but for those who choose to do so, it is surely an intellectually and emotionally stultifying influence. If we are what we eat, we are, in this tally-age, what we watch. The evenings offer a weird equation in programming, as if the fatuities of *Telly Addicts* (the couch-potato's Olympics) or *Small Talk* (children with the galloping curtes who would be better employed up chimneys), or Hyacinth Bucket and the Muppets (can you tell them apart?) may be set against the serious matters of Channel 4's admirable *Nuremberg* last Tuesday or the start of *Conservatory Tales*, Ian Hislop's persuasive series about the Anglican Church in our century, also Channel 4, on Thursday.

*Nuremberg* looked back at the war-crimes trials, 50 years after the event, in salutary fashion. Even after half a century, the sight of those devils - Goering still bombastic, Streicher and Kaltenbrunner like things from the nether pit - still strikes to the heart. (Their greetings to each other as they entered the dock a desperate display of bravado and false dignity). And how salutary to be reminded that, thanks to Cold War politics, Alfred Krupp and his fellows only had to serve two years and then had their fortunes restored to them, and that the majority of the lesser swine also escaped long-time imprisonment.

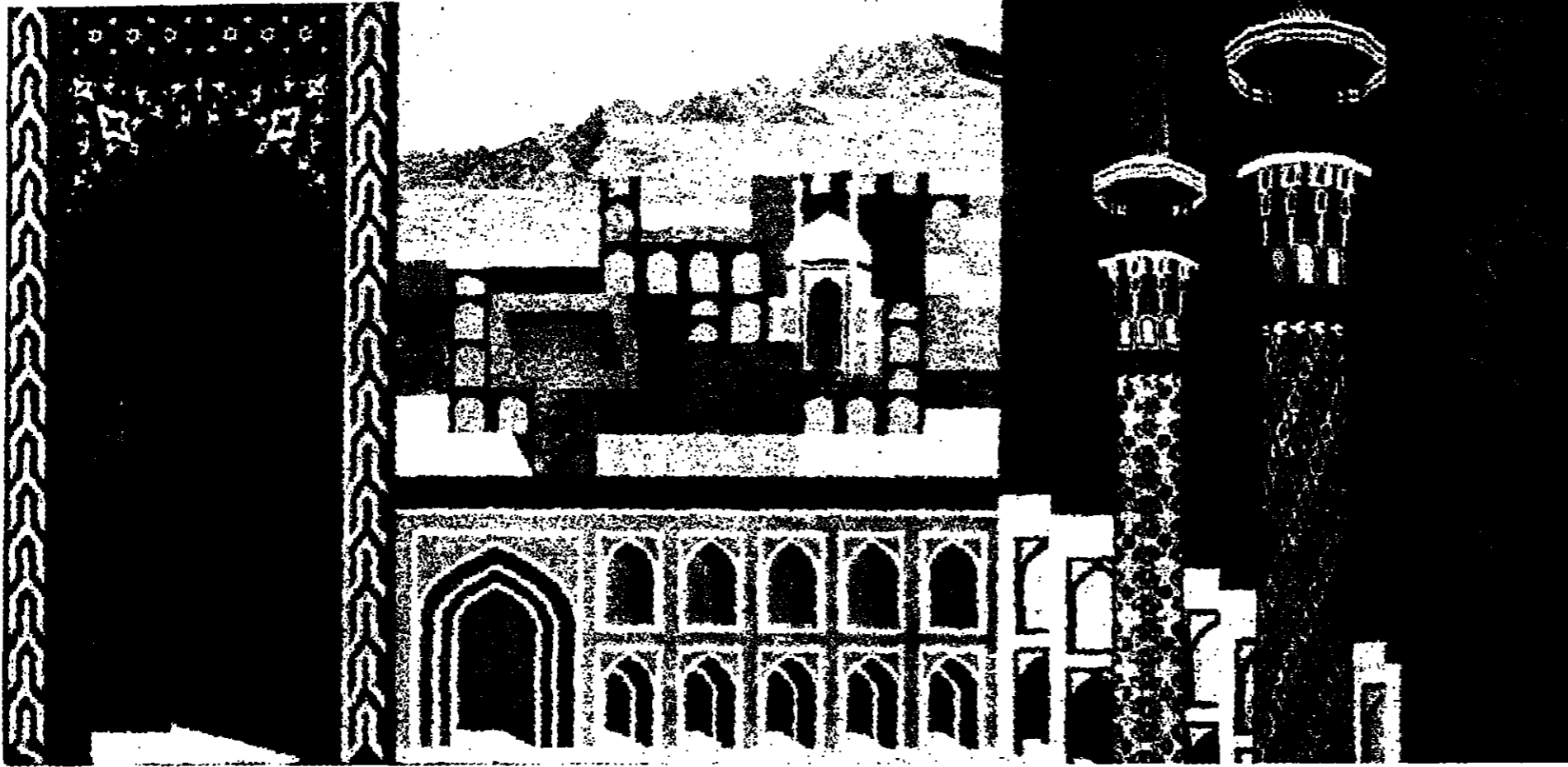
The start of the Cold War was also admirably studied in the new series on BBC2 of *People's Century* on Sunday. The producer, Angus Macquenn, has a clear eye for the relevant moment, with brazen-voiced Soviet tots praising dear old Uncle Joe Stalin, Khrushchev and Nixon in a double-act as stand-up comedians, and political trials both East (vile capitalist parva) and West (Senator McCarthy in full bluster). Grand and terrifying stuff, and hilarious in the clip of a Middle-American township enacting life under Communist rule.

Terrifying stuff of a different kind came in BBC's *Immortal Emperor* on Sunday. The paranoia of the first Qin Emperor, a monster of brutality, led to the creation of a vast mausoleum - built by 700,000 slaves - whence came the army of terracotta warriors discovered in the 1970s, and staggeringly beautiful bronze bronzes. Dr Tony Spawforth told the tale well; we saw ravishing scenery, a mysterious dance by a Taoist monk, a jade burial suit that might have come from Dr Who; and we learned that (I suppose) unsurprising news that the Chinese invented chromium plating in 200BC, and that breaking wind and belching was thought to reduce the life-force. ("Sating beams seriously damages your chances of immortality").

Programmes such as these treat us as grown-ups. It is curious that they are all historical: today's art, drama, music, literature, fare less well - though all praise to the BBC for the Proms transmissions and for the Leeds Piano Competition coverage. A prize for the most bizarre and what-fools-these-morals-be subject must go to Channel 4's *Paradise Island*, part of the *Cutting Edge* series on Monday. The idea of 400 families taking off to make a "safe" community on a Caribbean island under the leadership of someone whose past was murkier than he cared to let on is the material of a fine satirical novel.

The lambent impracticalities of the enterprise, the abundance of drones - all armed with £150,000 - but precious few workers, and the eventual revelations about the leader (shop-lifting and an ex-wife-to-blow of gulf) and about the idyllic island (a dumping ground for US army nerve-gas) were splendidly paced by the director, Lucy Scondry-Winsch.

All this and a new and teasing *Togart* on Thursday - things could be worse. They could, in view of the rest of the schedules and the lumbering platitudes of *Rhodes*, be much better.



Cool, restful and refreshing: originally commissioned by BP in 1986 for its restaurant, Edward Bawden's vast murals have found a temporary home in the hospital

## Murals with a feelgood effect

William Packer admires the latest loan to the Chelsea & Westminster Hospital

Two mural panels by Edward Bawden were unveiled at the Chelsea & Westminster Hospital last week. No rush. All in good time, you might feel, as you nervously stretch and flex to the latest ache or symptom. But the hospital is always worth a visit quite independent of any clinical imperative, for the sake of whatever works of art it has lately begged, borrowed or bought through its remarkable arts project, *Theatre for Health* - and there are concerts and performances besides.

Not a penny comes from the NHS to pay for it, all is raised privately. These Bawden murals are a spectacular case in point. They were commissioned by BP in 1986 to decorate the restaurant of Britannic House, its then new headquarters in the City. Thirty years on, having moved to a newer home that has no room for such vast panels, rather than sell or store them, BP is lending them to the hospital.

They hang high up in the farther atrium on the left as you go in, beyond Allen Jones's huge metal *Acrobat* and opposite the bright banners of Patrick Heron. Their imagery, naturally drawn upon BP's interests, is of the domes, arches and minarets of the Islamic tradition, with its richly insistent surface decoration. All set into the desert, "boundless and bare," that stretches far away. But the mood is neither harsh nor arid, but cool, restful and refreshing - nothing could be better suited to a restaurant or hospital.

Bawden was one of the great masters of modern British art, but one too often under-sung and disparaged for his decorative gifts - as though to make beautiful and diverting things was not a serious achievement. He had a particular eye for popular art and culture of all kinds, but especially the native British traditions, to which he brought his own sophisticated and knowledgeable modernism.

A smaller of his murals, though still large enough, hangs near the hospital's main door. Made for P&O in 1949, its theme is "The English Pub", and those old names recollect of our common past and experience - *The Wheatsheaf*, *The Rose*, *The White Horse* and so on, that ignorant brewery executives or interest may be made direct to the arts co-ordinator, Susan Loppert, at the hospital (0181 846 6821).

**Bawden was too often under-sung and disparaged for his decorative gifts**

nowadays are for ever wiping out. It too is on loan to the hospital. From Peter Nahum at the Leicester Galleries, in hope that money might be raised for its eventual purchase. It is an affectionate, clever, witty and altogether delightful thing. Any offers of help

## Jazz/Kevin Henriques

### Echoes of Ellington

Echoes of Ellington is a 17-piece band which exists to play the compositions of Duke Ellington and his close collaborator Billy Strayhorn. In no way whatsoever is it a "ghost" band, slavishly copying note for note the playing and solos of the originators. Comprising mainly musicians of the younger generation, led with engaging humour by reed man (and flautist) Pete Long, the band brings an exhilarating freshness to familiar - and not so familiar - Ellington works.

Long himself is responsible for several of the arrangements and is constantly adding new ones to the repertoire. This was evident during the band's latest London appearance at the 100 Club on Tuesday. Apart from a flute feature for himself on "Fife", he resurrected "Bill-Bill" from the Duke's 1941 "revu-sical" *Jump for Joy*, with singer Patti Revell spitting effortlessly with the full band. "Moon Mist", by Ellington's son Mercer, featured the evocative violin playing of John Francis, who also contributed vigorously to the night's closing and inevitably climactic "C. Jam Blues".

Perhaps the most significant item was an impressive, hitherto unheard (in London at least) Billy Strayhorn piece, "Pentonsilic", 12 minutes long and only recently

## Theatre/Ian Shuttleworth

### Alchemy just fails to work

In one of his recent shows, Ken Campbell described Ben Jonson's "Comedie" as lasting about three and a half hours, "and if you work your pants off you can get nearly 20 laughs". At first, Bill Alexander's production for Birmingham Rep and the National Theatre leads one to wonder whether perhaps he was being a little uncharitable: Simon Callow, Tim Pigott-Smith and Josie Lawrence are the central trio of Cozeners are all on good form, and the giggles flow relatively freely.

Alexander has set the action, vaguely in the "future" giving William Dudley the scope for tastering, ragged *Neverwhere*-style designs, and allowing us to consider the urban chaos and cod-mysticism of the play in the light of a New Age dystopia rather than plague-ridden 17th-century London.

Pigott-Smith's Subtle, all hair extensions and rumped self-importance, is more of a confederate than a rival to his fellow, the master of disguise Face. Simon Callow cuts loose as the frazzled-in-chief as "Captain" Face, he sports a swagger stick, tache and Terry-Thomas drawl, as alchemical stoker Lungs he shambles around, hunched, emitting a Black Country accent through buck teeth; reverting to the persona of reliable Jeremy Butler upon the sudden return of the master of the house, he simply becomes Hudson from *Upstairs, Downstairs*. Josie Lawrence, in particular, is made for exuberant pretences, whether as the Queen of Faery or a demure but unstable young creature - the play is that, as Doll Common, she is afforded so few opportunities for such play.

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Wednesday is a red letter day for that small but growing band of British art lovers. After the summer drought of major art shows, the 20th Century British Art Fair opens its doors at the Royal College of Art for five days. Now nine years old, it has established itself as the key market place for buying modern British art, with 80 stands offering everything from the Scottish Colourists to Rachel Whiteread.

The attraction of the fair is that most dealers rally round: it enables their stock to be viewed by 10,000 poten-

tial buyers as against a handful a week in their shops. Jay Jopling, who handles Damien Hirst, is still missing, but Karsten Schubert (Whiteread's agent) is exhibiting again, and among the newcomers are the trendy Anthony Wilkinson and the not quite so trendy but very comprehensive Fine Art Society.

Throw in exhibits from

Leslie (and Theo) Waddington, Agnew's, Peter Nahum, Angela Flowers, Gimpel Fils, Crane Kalman and many more and you have the most representative collection of British art. For the first time there is a photographic gallery showing Michael Hoppen, Bill Brandt, £2,000-£5,000; Nadav Kander, Bert Hardy and more.

Last year 750 works found new homes at the fair, and judging by the 25 prospective dealers turned away, the trade is optimistic about the level of demand. Prices are still reasonable. The £175,000 Henry Moore maquette of a seated figure on Berkeley Square's stand is exceptional: most items are priced below £5,000, although Duncan Miller is offering a Peplac "Still life with tulips" for £75,000; nine years ago it would have cost nearer £150,000.

Among the highlights are the 1986 Jerwood prize winner John Hubbard at Purdy Hicks, with works on paper from £4,000; Caulfield, Flanagan, Heron and Yeats at Waddington Galleries; Graham Sutherland's "Vins Pergola" (£75,000) at Agnew's; Hockney's very latest prints priced at £3,100 and £4,700 at Wiseman originals; and "Camden Town Interior" by Sickert at Jason & Rhodes. There are also Sickerts at the FAS stand, perhaps because the little seen Sickert Collection of Islington Borough Council provides the loan exhibition.

**Sixty stands are offering everything from the Scottish Colourists to Rachel Whiteread.**

Meanwhile among the grand St James's art dealers Spink, the UK's oldest dealer (founded in 1666 and owned by Christie's since 1983) has acquired the Leger Galleries, 104 years old and with prestigious Bond Street premises. Christie's has turned Spink's loss into profit and is opening out-stations in Singapore and New York. While Spink,

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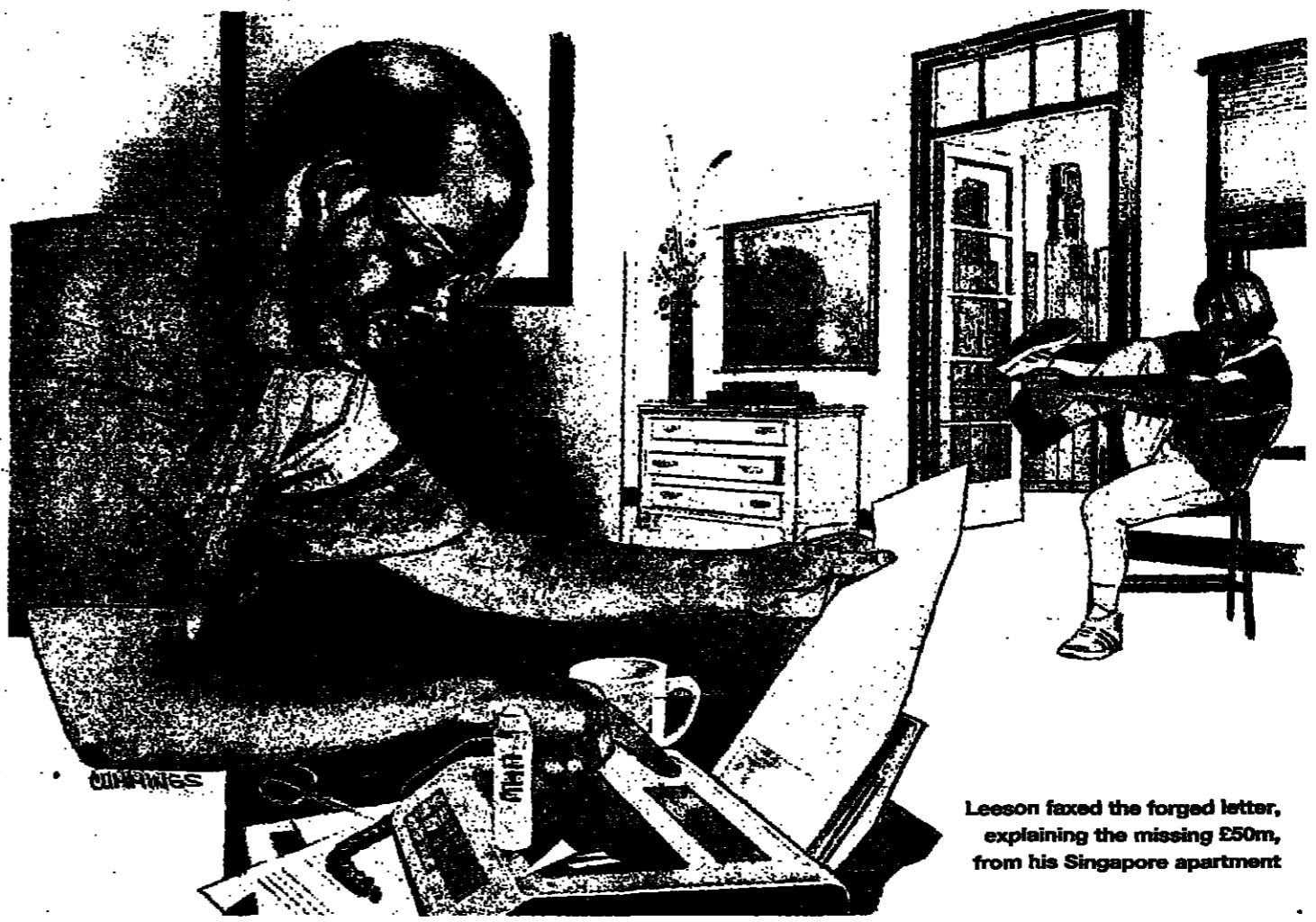
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مكتبات الامم المتحدة

ALL THAT GLITTERS: The Fall of Barings

# Hurting towards the abyss

Though Nick Leeson lost money steadily for more than two years, almost half the £830m he threw away disappeared in the last week before the collapse. In the final extract from their new book, FT reporters John Gapper and Nicholas Denton reveal missed opportunities to prevent Leeson's reckless final fling



Leeson faxed the forged letter, explaining the missing £50m, from his Singapore apartment

**D**iarmaid Kelly was already concerned over Leeson's enormous needs for cash from London. Hawes sent an e-mail to Leeson and Simon Jones, regional operations manager in Singapore. "To us here, this looks a very muddled and strange comment," Hawes wrote.

Leeson had one thing protecting him from this renewed assault: Broadhurst and Jones were not talking to each other. Jones defended his patch passionately, and had been treating Broadhurst frostily since a row between them in July.

On February 2, the Coopers auditors in Singapore insisted on receiving proof of the SLK transaction. Leeson went to the Baring Futures office in Ocean Towers, and forged the proofs. He typed a note from Ron Baker, head of derivatives trading, confirming that Baker knew of an over-the-counter deal with SLK. Leeson then forged Baker's signature on the confirmation note.

He forged two letters from SLK by cutting out the signature of Richard Hogan, managing director of SLK, from another letter. Leeson gave all these proofs but one to the auditors that evening. The payment confirmation letter was supposed to come directly from SLK the next day. Leeson faxed it through from his Singapore apartment.

The top of both sheets, which were supposed to have been sent from SLK in New York, bore a line imprinted by his fax machine: "From Nick & Lisa". Leeson did not remember that his fax machine had been set up to print this automatically. It was a rather large flaw in what had been a hastily-improvised deceit. It did not matter. Shortly after receiving the faxes, Coopers cleared the Baring Futures accounts in Singapore.

By Friday, various explanations had filtered through to London, creating as much confusion among senior managers as over Leeson's requests for funding. But Broadhurst calmed down when he heard that the £50m receivable had been confirmed.

To improve things further, Hawes was flying out the next day to Singapore with Tony Raiton, deputy head of futures and options settlement. He was to fill in for a clerk on maternity leave, while Hawes tried to unravel the margin problems. This was becoming ever more urgent: Leeson's concealed trading in the five eight's account had now expanded the gap in the London balance sheet to £190m.

Leeson was now very scared, and the strain too intense to be hidden completely. He had gorged food and drink in the past year, but he could hardly hold it down. He was walking off the Stix trading floor constantly to vomit in the toilets nearby.

Hawes started his week in Singapore by sitting down to

write out questions to ask Leeson. He fixed a list of 20 questions to Ian Hopkins, head of group risk, in London. Hopkins had just returned from holiday, having missed the previous week's debate about the £50m gap in Singapore.

Hopkins in turn sent a copy to Ron Baker to look at. Baker was intensely irritated. He was already exasperated by Tony Hawes, and thought this might be an effort by Hawes to pin blame on Leeson. On Wednesday, he went to America Square for the daily asset and liability committee (ALCO) meeting, and walked into Norris's office, brandishing Hawes's list. He had written by the side of some questions expletives about Hawes. "What I've written is so disgusting that I've had to snip out some of it," Baker said.

Norris was vexed by Baker's open aggression, but there was little time to discuss it before they had to go down to the ALCO meeting. Having got what seemed to be confirmation of the £50m receivable, Norris was ready to put the incident formally on record. Hopkins' face blazed with anger. He was amazed by the scale of the mess that appeared to have broken out while he had been on holiday.

On Thursday, Hawes went with Jones, the Singapore manager, to see a Simex official, and talk about the funding problems. She mentioned in passing that Barings was long of the Nikkei. "No we are not. We are short," said Hawes. He had swallowed Leeson's story that his long futures position on Osaka was matched by a short position on Simex. "Okay, we will check that," the Simex official told Hawes.

Hawes' final meeting was with Leeson and Jones that Thursday. They met in Jones's office. Leeson told him that Simex had checked the figures. He was correct: Barings was short on Simex. The subject switched to the SLK trade. Leeson acted like a schoolboy hauled in front of the headmaster. "I've been careless, and it won't happen again," he told Hawes, who flew back to London later that day.

By Wednesday February 15, Raiton was getting very worried. His worst fear about Leeson's funding requests was true. The breakdown of figures between customer and house accounts was meaningless and had been made-up by a settlements clerk. Raiton still did not suspect Leeson of fraud. He simply thought he had been covering up back office chaos.

Leeson was hard to pin down. He was not simply trying to avoid Raiton, although that was part of the reason. He was also battling desperately to keep the Nikkei above 18,000. That Wednesday, it topped below the danger point, closing at 17,991. Leeson was now buying trans-

cally, throwing Barings' cash away. He ordered his traders into the pit to buy futures each time the index dropped.

Leeson had gone beyond restraint. Five eights now held more than 50,000 Nikkei futures and 27,000 JGB futures. The Nikkei strained to fall into a lower range. The only thing stopping it was Leeson. He was being dragged towards the edge of a precipice. On Thursday, the index dropped 210 points to 17,781. Leeson was close to falling over the edge.

When he came off the trading floor at 2:15pm, Leeson knew in his heart there was no hope left. At 4:30pm, he was due to meet the bank's chief executive face-to-face. Norris had arrived in Singapore as part of a tour around Asia. His last meeting of the day was with Leeson. As Leeson came up to the 24th floor, he had to go into the men's toilets to be sick because he was so gripped by nerves.

He need not have worried. Norris did not have any inclination to quiz him, particularly when he saw Leeson sweating slightly. In an open-necked shirt, Norris did not mention SLK. He wanted the meeting over as fast as possible. The two talked a little about the market, and Leeson stammered an explanation of his switching book, and the ticks and turns he could give to customers.

It was largely incomprehensible to Norris, who was impatient as ever. Unknown to him, it was his last chance to save his bank, but he did not pause long enough to observe what a mess the blustering young trader was in.

The following morning – Friday February 17 – Diarmaid Kelly heard a rumour that Barings was in trouble. It was the second one of the week – this time from Hong Kong. A fund manager at Jardine Fleming had rung his Hong Kong office to pass on rumours that Barings was in trouble over its futures positions on the Simex and Osaka exchanges, which everybody in the market was watching.

Kelly had had enough. He had been warning fruitlessly for over two months about the Customer X rumour. This time, he would get it from the horse's mouth. At 8:27am, he rang Ron Baker in Bishopsgate. Baker was taken aback. He suspected that anything he told Kelly would go straight into the market.

"You couldn't just run me through where we are on these Japanese futures?" Kelly inquired silkily. "In what respect?" Baker said guardedly.

"I'm just trying to work out what our positions are at the moment, either for ourselves or on behalf of clients. You know whether most of them are matched, or if they are open positions, or whatever," said Kelly.

"Well, we have no delta position..." said Baker. By this he meant that Barings had no exposure to rises or falls in the cash market – in other words, long and short positions were matched. "Let me come back to you with what our open contracts are," he said.

"Um, okay, it's very difficult to get a straight answer out of the Tokyo office. I don't think they know," said Kelly.

"Yeah, I mean I hear you, but I wouldn't want it to go to a customer," Baker said.

Kelly moved smoothly up a gear. "No, we're not going to tell a client, Ron. We're slightly in the dark here, trying to cope with other brokers telling the clients that we are bust."

Baker explained his understanding of Leeson's switching, which relied on an amassing matching positions on Simex and the Osaka exchange. "On that list, we'll come out with quite a massive exposure on Osaka... and if you just look at that in isolation, which people would be entitled to in Japan, it would appear as if we had an extremely large position."

Kelly pointed out he had been told that Barings held 30,000 long futures for three customers. "I'm just trying to work out what our position is, because no-one here knows. I'm not worried about the risk of it, because I'm satisfied that you all know what's going on, but I have no idea how to explain to someone what the position is," said Kelly.

Baker attempted to fend him off, still worried that the information might leak to competitors. "No, we're not giving out information. I just want to know!" Kelly said. Baker promised to get back to him.

Baker rang back half an hour later to confirm that Barings was long 20,076 futures in Osaka. "So we're long 20,076, and we're short of the same amount in Simex, is that right?" Kelly asked.

Baker agreed, and promised to come round later that morning, to explain the position in more detail. But only seven minutes

later, at 9:03am, Kelly was back on the line. "Ron, sorry it's Diarmaid again, because we're under pressure, certainly in Hong Kong, to have something to say to people before Jardine Fleming sort of stop dealing with us. Apparently, it's gone out on the Morgan Stanley, Goldman Sachs morning wire to be careful about using Barings as a counterparty."

This time, Kelly was not going to be diplomatic in not pressing for information. "Am I right in thinking that we have three big clients, and these positions tend to arise when one of these big three, which are what? The Bermuda hedge fund, and who are the other two?" Kelly said.

"I really don't want to go into... we can't tell JF [Jardine Fleming] who our customers are," Baker insisted.

"I am not going to tell JF," Kelly said.

"I don't want to tell the Hong Kong sales force," said Baker.

"I am not going to tell the Hong Kong sales force," said Kelly.

"I'm not sure it's correct to say we have three big customers," said Baker, stalling.

"Ron, look, it's me talking to you," said Kelly in desperation. "Forget about the customers, forget about Flemings, forget about Morgan Stanley, I'm just asking you as a member of Baring Investment Bank management committee, who the customers are that we are dealing with?"

"There's a list of them, Diarmaid," Baker stalled.

"Well, who are the big ones, just so I know?" Kelly pleaded.

"The hedge fund in Bermuda, Tiger and Refco," Baker conceded.

"So apart from this slightly strange guy, these are all big players in the futures world," Kelly said.

"Yeah," said Baker.

"So that's the anodyne answer to that: big and known futures players," Kelly said.

"Yeah," said Baker.

"So what happens is these guys come on and give an order in Simex, which they prefer to deal in because it's more efficient, blah de blah, correct?" Kelly asked.

"Yeah," said Baker.

"So Simex doesn't have the volume, so we do it in Osaka, and then sell them a Simex contract exactly matching the one that was bought in Osaka?" Kelly asked.

"Exactly," said Baker.

Kelly started to question Baker about the way Barings paid margin, the cash collateral required by all futures exchanges, pressing to find out if there was any risk from a hedge fund collapsing. "We put up margin on behalf of customers to Simex?" he asked.

"Yep," said Baker.

"We collect it?" Kelly asked.

"Yep, so we're holding it in advance," said Baker, wrongly.

"Yeah sure, but our risk could be a cock-up in settlement. That would be a funding thing," Kelly said.

"We will always hold margin on behalf of a customer before we posted it," Baker said.

"Okay," said Kelly.

"But we are a bank with a billion US dollars of capital. We have substantial funding lines and credit lines in Singapore," Baker went on.

"Absolutely. The only risk is a funding risk, whereby for some reason or another because of some cock-up in settlements... we haven't called the margin off the clients," said Kelly, putting his finger on exactly the reason Barings was about to collapse.

"Simex comes to us for the margin," Baker said.

Kelly ran through a version of the story for external consumption.

"Okay, so I wouldn't be out of order if we told clients that the position they see in Osaka represents a facilitation for agency trades that we're

doing in Simex," he said. "Yeah, you wouldn't be out of order," said Baker.

"Therefore, there is an equal and opposite matching position in Simex, which they can't see... therefore I can say we do have a risk to the Osaka stock exchange," Kelly said.

"Which you don't mind revealing," said Kelly. "Yep," said Baker.

And also that Simex is the counterparty, and not the client," Kelly said. "Now could you get your guy in Hong Kong to stamp on to the floor, and gather some of the more senior people around him and explain just that, so that when their clients ring up they can rebut it?" he asked.

It was one of Baker's final tasks before going on holiday. He flew off to Verbier the following morning. But Baker was not content. He had spent several weeks trying to get Leeson to reduce his trading on Simex and Osaka, but it only seemed to have grown. Baker was getting angry at what seemed to be Leeson's defiance.

On Sunday night at 8pm, Baker rang him again. It was 4am in Singapore, but he did not care about waking Leeson up. He left a message on the answering machine. Leeson called him back two hours later. Baker did not mind his words. He said there was no excuse for Leeson not cutting positions.

"If you lose \$1m getting them down, it's money well spent. I want them at 10,000 by the time I'm back. Do you understand?" Baker said.

"I understand completely," Leeson said.

"If those positions are not reduced, I'm going to come down there personally, and sort you out," Baker said.

"I hear you," Leeson replied.

An hour later, Leeson picked up his trading friend Danny Argyropoulos at his apartment. Leeson described ruefully how he had just been told off by Baker. He appeared ready to obey, but in practice he could not do so without removing the last support from the Nikkei. Too many investors were now selling Nikkei futures, and Account 8888 was virtually the only force preventing a headlong fall.

On the morning of Thursday February 23, Leeson called Fernando Gueler, the chief derivatives trader for Barings in Tokyo. Leeson seemed oddly calm. The usual tension of the Simex trading floor was absent from his voice.

"How's life?" Leeson asked, seemingly happy to chat rather than trade.

"Well, you seem in an especially good mood today," Gueler told him. Leeson did not reply.

The market was more turbulent that Thursday. It opened slightly up, then started falling. The weight of selling that had been long expected finally came. The Nikkei dropped through 18,000. Leeson's losses were spiralling. In addition to his Nikkei losses, he was losing \$8.8m for each 10 point rise in JGBs.

JGBs gained as rapidly as the Nikkei fell. He hardly even bothered to trade.

The index carried on falling, dropping 277 points to close at 17,830. By the time the bell rang, the five eights account had lost \$66m on the Nikkei, \$51m on JGBs, and \$17m on his options. In a single day, \$143m of Barings' money had disappeared. It was the end. Leeson knew his short time of glory as a trader was over. Wearing his blue and yellow jacket, he walked out of Simex for the last time.

All That Glitters is published in the UK by Hamish Hamilton, £20. It can be ordered from FT Bookshop: Freecall 0500 418 419 or +44 181 324 5511 from outside the UK (free p&p in UK)



Wild cards in the trading pack

The 1990s have been the decade of the "rogue trader" in financial markets, who typically exploits weaknesses in his employer's internal controls and takes huge bets on the direction of the markets. Often he becomes a star, but ends up damaging his employer's finances or reputation.

In June 1994, Joseph Jett was dismissed by Kidder Peabody, the US investment bank, for allegedly conjuring up \$350m of fake profits by false accounting. Jett had been one of the US firm's leading traders. In October 1995, Toshihide Iguchi, a bond trader, was accused by his employer Daiwa Bank of concealing trading losses of \$1.1bn for 11 years.

In June this year, Yasuo Hamanaka, chief copper trader of Sumitomo Corporation, was accused of trying to manipulate the world copper market. Hamanaka struggled to support the price in the first half of 1996, against the efforts of hedge funds that were trying to drive it down. He finally lost, and Sumitomo faced a loss of at least \$2.6bn.

Last month, the investment banking group Flemings was fined \$700,000 and ordered to pay compensation of \$12.4m after Colin

Armstrong, 43-year-old chief investment officer of Jardine Fleming Investment Management in Hong Kong made personal profits of \$5m by placing profitable option trades in his own account, while customers were allocated loss-making trades.

This month, Peter Young, fund manager with Morgan Grenfell Asset Management in London was dismissed for "suspected irregularities" after setting up a web of Luxembourg holding companies to disguise the scale of his investments in high-tech companies for two flagship unit trusts.

Armstrong gained personally through his actions. However, other traders appear to have drifted into deception largely in an effort to become – or maintain their status as – stars within their organisations.

Barings was not alone in placing huge power in the hands of a financial trader who exploited it. Many institutions ventured into financial trading in the 1990s to compensate for falling earnings elsewhere. Those without adequate controls trusted young highly-paid men and women to trade instruments that were too complex for many

managers to understand. Barings was particularly vulnerable. Baring Securities had always relied on one or two people to make most of its money. It kept chasing for the latest pot of gold in the world's markets, trying to outwit larger banks by fleetness of foot. Each time it did so, it strayed further into complex financial instruments, of which its directors had little or no experience. Baring and Andrew Tuckey, chairman and deputy chairman, were too distant from day-to-day events to spot warning signs. Peter Norris, investment banking chief executive, was rushing along too fast to see the signals.

The merchant bank that had pioneered international finance in the City of London had required relatively few controls. Yet by the time Leeson walked on to the Simex trading floor, Barings was trying to run a global investment bank with the same technology, culture and people that it had relied on to run a small merchant bank.

Barings was painfully ill-equipped to stop Leeson spending its own money to turn himself into a star.

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All That Glitters is published in the UK by Hamish Hamilton, £20. It can be ordered from FT Bookshop: Freecall 0500 418 419 or +44 181 324 5511 from outside the UK (free p&p in UK)



James Morgan

## Another leap into the blue

Pragmatism involves going ahead with a project and sorting out the problems afterwards

The English are bastards but we need them." This remark was not, curiously, about European Union but about rugby union. It was called from the streets of Toulouse by the sporting weekly *Midi-Olympique*.

Many readers may be unfamiliar with the tale of the Five Nations rugby near-disaster, but it started when the Rugby Football Union, of England, negotiated a big contract with BSKyB, the satellite broadcaster, and then refused to share the money with its partners.

So they said they would not play with England and that made the contract rather worthless from the point of view of the

broadcaster. After months of haggling, England gave in and shared some of the money.

There may not seem to be many lessons here that are relevant to the divisions within Europe referred to by Malcolm Rifkind, the British foreign secretary, in Zurich on Wednesday. But one is that you cannot know if you will get away with something until you try it on. That could well be the slogan of the European Commission.

In his speech, Rifkind says: "We should not proceed down a path of integration faster or further than our people want to go. This is a very British view. As an article in *Le Monde* noted last week, the British want to go

nowhere in particular. The answer to Rifkind is that integration has always gone further than ordinary people really wanted. Most people have always been fairly sceptical and then surprised when things turned out as well as they did.

The masses never appeared on the streets waving blue flags with gold stars, not without a substantial subsidy anyway. Ordinary people have played no role in the construction of Europe, which provides one reason why it has gone relatively smoothly in many areas.

The English have not, so far, changed that. Politics is far more of a participation sport in England than elsewhere and that

is why the voice of the common man is reflected in the pronounced hostility to much that is European. The governing class in London has had to share the prevailing view.

So monetary union will go ahead without the English. That may or may not pose the difficult questions that Rifkind seems to fear. He noted that the founding fathers had wanted a united Europe and now we are going to get a divided one - but that need not be forever. Consider this: either monetary union will be a success or it will not. If it is, then the English might well be tempted to join. They might come to accept it as a "good thing" as they accepted the Com-

mon Market in the referendum of 1975. And other countries will gradually join. Or they may decide to leave the union altogether. If it is not a success, the project might well collapse.

Thus, as in the case of rugby union, there are ways of making things work and answering hypothetical questions - see what happens if you go ahead, then sort out the problems. This is called pragmatism, once supposed to be an English virtue. Relationships between members and non-members can be worked out as the experiment proceeds: after all, it will take three years for the euro to be introduced.

What really needs to be resolved is what is meant by

monetary union being a success. If the single currency area functions smoothly, if economic growth within it picks up and unemployment starts to fall, monetary union could well seem to be a good thing. That may be demanding a lot but, after all, what else is monetary union meant to achieve?

The EU has often proceeded by taking a leap into the blue at the behest of technocrats and officials which, for Europe's sake, has probably been a good thing. No one is ever sure how these leaps turn out, so let us wait and see. And at the end of it all, they may still need the English.

James Morgan is BBC World Service economics correspondent.

## Portrait of a great MP

The best way of illustrating Britain's low self-esteem is the nation's loss of any collective memory of its past.

On a recent visit to the National Portrait Gallery I asked for a postcard of Eleanor Rathbone's portrait. She was, after all, one of the country's great parliamentarians. Mine was the first such recorded request. There is simply no demand for a personal record of one of Britain's more remarkable figures from any age.

But now, it seems, this may be about to change as a result of two books on her achievements. Johanna Albert's biography is the first to begin the task of reawakening the public mind. In an age of cynicism towards politicians, she presents a storybook-type image of how politicians should behave.

However, although in many respects a fine and measured work, it fails to do justice to Rathbone's contribution to economic ideas, where I believe she rates alongside Keynes - and is generally regarded as the most important economist of the 20th century.

Rathbone came from a long line of Rathbones, although not quite the 13th Miss Rathbone, as Harold Wilson, the former Labour premier, might have said.

So what made her so special? Born to be part of life's awkward squad, Rathbone was elected as an independent to Liverpool city council against the strong opposition of many male voters.

She became the English Universities' representative in parliament at the election where for the first time women gained the



Guan's portrait of Rathbone which hangs in the National Portrait Gallery

vote on equal terms with men. At the age of 87, when all too many MPs start thinking of retirement, Rathbone began what must rank as the outstanding backbench career of this century.

There are many firsts to her name. With Winston Churchill, she immediately warned the country of the evil of Nazism. Clearer than anyone on the dangers this regime posed to the Jews, she became the parliamentary protector of refugees.

In one of the few memorable meetings to record the 50th anniversary of her death in 1945, Jews whom she helped to bring over here as children spoke in the most haunting way of the human side to someone whose painful shyness hid most of her true feelings from the public gaze.

One recalled meeting her unexpectedly when in RAF uniform - and how she continued a conversation about his parents which had been broken off almost a decade before.

Rathbone was the most influential feminist produced by this country. While she lacked the spin-doctor's, she leaves a far more substantial legacy. The turn of the century was the age when new liberalism attempted to hammer out a social programme. Yet the "condition of the people" issue was seen exclusively in terms of the distribution of income between classes.

Rathbone challenged that debate at its central point. To an elite obsessed by what we would call today the vertical distribution of income, she swung the debate around to consider its horizontal distribution between types of households on the same level of income. The tremors of her depth charge into this political and economic debate are still being felt.

Rathbone's contribution to our thinking on who gets what income in our society was unique, a point which Alberti neglects in an otherwise fine and scholarly book.

When Susan Pederson, the Harvard historian, completes her forthcoming life of Rathbone there will then be no excuses for ignoring the importance of one who made a huge contribution to our ideas of liberal thought and social justice. Then, perhaps the National Portrait Gallery will receive more than an isolated request for a reproduction of this outstanding person's portrait.

*Eleanor Rathbone is published by Sage (29.95, paperback, 204 pages, £30 hardback).*

Frank Field

The author is MP for Birkenhead

Lunch with the FT

## The boss in his mellow years

Lucy Kellaway talks to Sir Denis Rooke, the former chairman of British Gas, and finds a changed man

This was my second lunch with Sir Denis Rooke. The first took place in 1986, the year of the British Gas privatisation. Sir Denis, then chairman of British Gas Corporation, had invited three Financial Times journalists to lunch. It was a tense occasion. Sir Denis was in combative form, shutting his colleagues up if they spoke out of turn, and leaving us in no doubt of the low esteem in which he held our trade.

Half way through the meal my colleague passed a remark about the lack of competition in the gas industry. Sir Denis turned deep red and began to shout that journalists were ignorant fools and if we were going to say that sort of thing he did not see why he should be feeding us such fine beef and caviar.

I had invited Sir Denis to lunch this time partly out of masochism, partly out of respect. I wanted to re-acquaint myself with a man who never cared a fig for image, who always did what he believed to be right and who inspired fear, loathing and admiration in the people he met.

It was with some trepidation that I approached the Goring Hotel, an old-fashioned place behind Victoria Station, London, where he assured me he was "not unknown". As I neared the entrance I saw a tall, familiar figure approaching. There were the same basset-hound jowls, the same despondent expression. But as I waved, he gave a grudging half smile, and more alarming still, took my hand and made as if to give me a kiss. "You've got smaller," he said. In his other hand was a copy of the FT. Could it be that he was planning to be amiable?

We settled comfortably at a table, the waiter clucking round Sir Denis, making him feel special. Over his gin and tonic he asked me politely about my family. What a nice old man, you would have thought.

"The food is not complicated," he said, bestowing his highest praise on the menu. "This is one of the few restaurants in London where you can get real fish and chips. They do come on a plate, not on paper."

I chose Palma ham and melon followed by an elaborate dish of salmon and asparagus. To my surprise, he led the waiter to "make that two".

In an attempt to rediscover the old Sir Denis, I asked what he thought of the latest heavy restrictions imposed on British Gas by its regulator. "Shareholders in British Gas were conned," he said gruffly. "There was nothing in the prospectus to prepare them for anything that had happened since privatisation."

Before I knew it we were back reminiscing about the old days: "When I arrived in the gas industry 40 years ago it was in a very precarious position and it became

The Prime Energy' industry. We competed against all the other energy forms. We turned it into the biggest and best energy company in the world. It was always profitable." I was having a strong sense of déjà vu. Sir Denis had surely spoken the very same words at lunch a decade earlier; the only difference this time was that the anger was gone.

Returning the conversation to the present, I asked whether, if he were still chairman, he would have been better than Cedric Brown *et al* at holding the line against the government.

Again he smiled. "In the dead of night I always kid myself that I might have. The attitude of the present management is that you can't recreate the past; they do the best they can. But I wasn't built like that. I fought all the way."

He started to tell me about the furious rows he had had with the government in the mid-1980s. "There isn't any doubt there was a hell of a battle. One of the people who hated my guts from my feet to the top of my head was Nigel Lawson. He always

'As you get older you become sad about everything. This country is going to the dogs'

had to have his own way." I suggested that in that case the two of them were well matched. Sir Denis glowed, as if I had paid him a rich compliment. "Well in a way not. He was a cabinet minister and could do what he wanted."

"They weren't all like that. Wedgie Benn [Tony Benn, the left-wing Labour politician] was very well brought up. Beautiful manners. He went out of his way on social occasions to recognise me and to talk to my wife."

But, for the main part, he said he was "not much of a fan of politicians. I'd lock them all up in the House of Commons and let them talk to one another. I don't trust them. I've been the victim of more dirty tricks than you've had hot dinners. Go back to the privatisation of British Gas. I worry that there was a hidden agenda - and I should have had an inkling." He fears that the government always intended to break up British Gas and introduce competition.

Does he feel bitter?

"What's the point in being bitter?" he said. "I am sad - but as you get older you become sad about everything. This country is going to the dogs. I don't have



Sir Denis Rooke: 'I've been the victim of more dirty tricks than you've had hot dinners'

any faith in anything. I'm a simpleton. I only deal with very simple concepts."

I was starting to feel impatient. Powerful people telling you how simple they are is nearly as irritating as conventional people telling you that they are mad. "I'm a very down-to-earth, simple, working-class chap. And I say" - at this point he took my hand and bumped it on the table to emphasise every word - "if You Can't Pay For It You Can't Have It." I reclaimed my hand

and he gave me a speech on the importance of training and education and on how politicians are not tackling the problem.

I protested feebly that there have been hundreds of recent training initiatives but he took no notice, telling me instead of how well they used to train British Gas's fitters in his day.

"The biggest thing to worry about now is television. Before we had television we went out to do things." I asked if he ever watched telly himself, and he

said he watched sport, and that he used to be a keen sportsman. "You do realise that I am well over 70 don't you?" he asked. Yes, I said, I did realise.

While he had been talking about the ills of the modern world I had been eating, and by now had finished my nice fish and baby vegetables. He had barely begun. So to allow him to eat I started a long preamble to a question about Cedric Brown. I wanted to know how he felt about a lesser man than himself

The art world has lost its greatest genius of exhibition design - and I have lost my great friend to whom I owe my aesthetic sensibilities, such as they are.

Gill Ravenel, who died of a heart attack last week aged 55, had run the design department at the National Gallery in Washington DC for the past 25 years. During that period he put on the most spectacular and influential series of public art shows ever mounted in a single museum.

The 400 exhibitions ranged from his modest debut display of Dürer prints in 1971, through such stunning creations as *The Treasures of Tutankhamun* (1978), in *Praise of America* (1980) and *The Treasure Houses of Britain* (1985) to the current show of ancient Mexican art. And the public loved them. For example, during the final weekend of the Vermeer exhibition last February, I saw people preparing to queue through the icy Washington night for tickets.

In the face of a growing blizzard of electronic images, Gill showed us how to see and con-

## A man who opened eyes

Clive Cookson pays tribute to exhibition designer Gill Ravenel

template still objects. He also excelled at firing our imaginations; his exhibitions were always strong evocations of the place and culture from which the objects had come.

My private education arose from the good fortune that my wife Caroline and I spent the first four years of our married life in Washington's oldest district, Georgetown, as neighbours of Gill and his wife Frances Smyth (the National Gallery's editor-in-chief). They welcomed us into their home - modest in size but breathtaking in decoration and contents. Its style was impossible to characterise, like everything about Gill, but can perhaps be described as intensely clean and pure, in an early American, rather than a contemporary minimalist, way.

Franny and Gill collected objects from all periods and

many parts of the world, though American decorative arts were their favourite. They searched antique shops and fairs, not so much for unrecognised treasures as for particularly striking or elegant shapes. An exquisitely curved soup ladle could give as much pleasure as an unusual painting. Although the collection grew rapidly, Gill's astonishing display skills enabled each object to stand out, without any overall impression of clutter.

Gill's academic background (at Duke University and the University of North Carolina) was in art history. He received no formal training in design or architecture - which may help to explain why his displays concentrated so successfully on the objects themselves, while avoiding the distracting gimmicks and fripperies that have characterised the work of many museum designers.

Besides his innate sense of space, form and colour, three personal qualities contributed particularly to Gill's work: perfectionism, enthusiasm, and a love of change and variety.

Mark Leithausen, the artist who worked as Gill's deputy for 23 years, recalls his perfectionism. "We would go over the drawings for each show again and again and again, endlessly discussing and redesigning. On the hundredth day, we were making changes of a hundredth of a per cent - but it was worth it."

Gill approached each new subject with a childlike enthusiasm, travelling around the world to immerse himself in the art *in situ*, so that he could tell its story and recreate its setting in Washington. For *The Treasure Houses of Britain*, he visited 126 houses - helping the curator, Gertrude Jackson Stopp, to put on a more

far-reaching show of British country house art than anyone has attempted in the UK.

Lighting was a key element in Gill's displays, both to illuminate objects and set moods. And he paid immense attention to colours and surface textures. Most important of all, though, was getting the spacing right.

The 21 Vermeer paintings were placed further apart than pictures at any previous exhibition. In the mock-ups, their separation had looked almost ridiculous but it was vindicated when the show opened - in contrast to the same exhibition in The Hague, when the Vermeers were far too close together to be seen through the crowds.

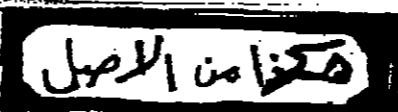
Gallard F Ravenel II, to give Gill his full Huguenot-derived name, had little interest in being recognised for his achievements, and he disliked personal public-



Ravenel: an approach of childlike enthusiasm

ity. While he adored discussing his work with friends and colleagues, he avoided the glittery parties that opened his shows (unless forced to attend).

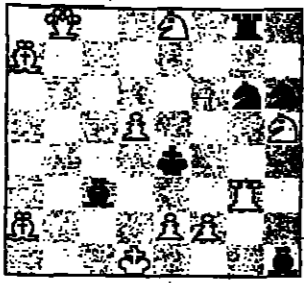
So I hope Gill would forgive this article, by a friend who cannot think of a better way to thank him for opening his eyes.



CHESS

India's Visby Anand seems on the way back to the progressive form he showed before his failed world title challenge to Garry Kasparov.

Qes K8s 26 b6l Still more activity for the bishops. Rac6 27 bxc6 bxc6 28 h4



No 1,146 White makes its two moves against any defence (by W.H. Reilly). Jose Capablanca, one of the greatest champions, took 15 minutes to crack this problem.

BRIDGE

The Macellan Club Teams and Pairs Championships provide a unique opportunity for club players to take on internationals, often with surprising results.

crucial decision of the deal. From the play of the hearts, he knew that declarer held WK3, so another heart would squander a trick.

West led 10 of spades against South's 3NT. Winning with A of spades, East returned 7 of spades, on which declarer played J of spades, and now faced the

Rather sadly, he claimed his A for one off. At the second table, the amateur West had switched to a low club at trick three and the declarer had an easy run for his contract.

CROSSWORD

No. 9,179 Set by CINEPHILE A prize of a classic Pelikan fountain pen for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers.

Crossword puzzle grid with numbered squares.

Name: Address:

- ACROSS 1 Indian has little time to go round selling (6) 4 Inspire fit characters to produce Virago (8) 10 Wander about wild glen in a curious manner (9) 11 38 Strike it hot, a bacterium comes in to produce woolly bears (5,4) 12 Some ammunition for making two or more into one (4) 13 Ducal town, a capital to boot (10) 15 When I need something to provide milk for myself? (3,4) 16 Found a plague to the French? (6) 18 Stuck to a point with a border (6) 21 Fortmanteau word for Eurostar? (7) 23 Divide the ground, as the West does (10) 25 It happens when the sun's in (4) 27 First lady holding authority to call out (5) 28 Bedwarmer to let both at sides and covers (3,6) 29 Castle town using sound currency? (8)

Solution 9,178 and 9,179 crossword solutions.

WINNERS 9,177: G.C. Sutcliffe, Keadley, Yorkshire; Miss E. Atkinson, Teddington, Leicestershire; N. Bracewell, Burgess Hill, Sussex; Mrs E. Brantton, Sandy, Bedfordshire; J. Pugh, Eastbourne, Sussex; W.F. Wells, Bortholam, Cambridgeshire

WEEKEND INVESTOR

In the Pink

You can only be a hero if you end up the winner

John Train looks at how the performance of equity managers is judged with the benefit of hindsight

John Train is chairman of Montrose Advisers Investment managers in New York

As I offer poor Vinik I do to commemorate a contrarian who did not achieve immediate success, even though he may have been taking the prudent course over the long term.

Anybody who should one do if one anticipates trouble? That's a bit like asking how hard you should hit your second serve in tennis: it depends on your level of skill.

To sell a huge amount of stock you have to take advantage of a desire on the part of other investors to buy, and it is best not to be surrounded by a large number of other sellers

He concluded that US stocks were overvalued compared to bonds, and put 30 per cent of his portfolio into Treasuries and cash. That may indeed have been the reasonable strategy. But meanwhile...

This lesson has been noted by other equity managers. In the hot money end of the investment business, it is in the very nature of things that popular, ambitious managers push trends too far.

In the frothy phase of a bull market, most investors should not try to catch the top, but anticipate a bit, since the fall is often so abrupt that once it starts, in practice you may be paralyzed and unable to act.

I emphasize know. It is essential to know a great deal about any holding that you decide to retain during a bear market, since from time to time you will be overwhelmingly tempted to sell, and may well do so if you do not have high confi-

dence that over the long term it will prosper. (Most people should almost never sell top-quality growth stocks whose business fundamentals are intact: certainly not because of generalised fears about the overall market.)

Anybody who should one do if one anticipates trouble? That's a bit like asking how hard you should hit your second serve in tennis: it depends on your level of skill.

stocks had enjoyed the best of their move, and that the whole market would well along in its cycle, he must have further concluded that to bring a rosy glow to the face of the electorate entering the polls, Washington would do everything it could to keep down interest rates. Ergo, long bonds.

Perhaps he intended to shorten their maturities or buy stocks after the election. It has always been true that US election years have enjoyed good markets, and very often true that there is a corrective credit squeeze, and thus a sloppy stock market, in the post-election period.

on the part of other investors to buy, and it is best not to be surrounded by a large number of other sellers.

These conditions existed last year, when \$128 billion flowed into equity mutual funds, producing a 32 per cent lift in the S&P 500 average through July.

This year, an even larger amount - \$140bn - came into equity funds, but the S&P only rose 3.9 per cent. In other words, a lot of stock is on offer. And the rate of buying is itself falling off. Last year an average of \$18bn a month flowed in to equity funds: This July the figure dropped to \$8.5bn.

Incidentally, there was an interesting anomaly in Vinik's portfolio alignment. Along with his huge bond position - huge, that is, for an equity fund - Vinik held a lot of cyclical. These can be attractive coming out of a recession, when there is a lot of slack in their capacity.

Directors' share dealings

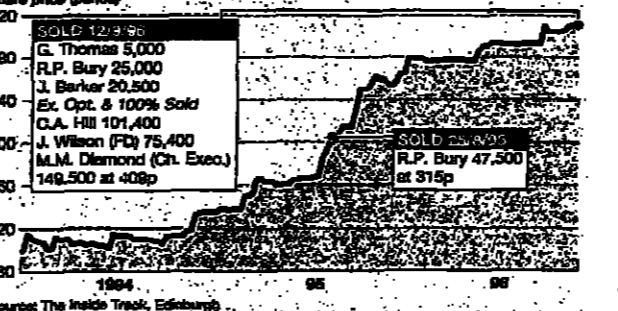
Table with columns: Company, Director, Shares, Value, % of Shares. Lists directors' share transactions for various companies.

Results due next week

Table with columns: Company, Sector, Date, Amount, Last year, Dividend, This year. Lists upcoming financial results for various companies.

Trifast

At Trifast, the industrial financing distributor, three directors sold 50,000 shares at 40p and three others exercised and sold options.



Shares FC to rise 25m via a 5 for 1 at 2500 rights issue.

Options for 25m via a 5 for 1 at 2500 rights issue.

Notes

Capita Group is raising £25m via a placing. Pepsico is to raise approx. £15m via a private placement. Plessey is coming to the market via a placing of approx. 10p. World Finance is to raise £2m via a placing and open offer. Yucca Group is to raise £2m via a placing on APL.

# Weekend Investor

Wall Street

## Internet enters its own Gilded Age

John Authers takes a ride along the most hyped highway of them all

Wall Street investors have always been happy to pledge money into the latest networks of communication. Railroads created America's first Gilded Age. Then came oil and automobiles, and more recently airlines.

But the most recent repository for Wall Street's money is the most hyped highway of them all, the Internet. On-line technology is already much more evident in American everyday life than it is anywhere in Europe, and it fuelled a round of spectacularly successful flotation—known as Initial Public Offerings or IPOs in the US, in the latter half of last year and the first months of 1996.

The nasty stock market "correction" of early July appeared to have burst the bubble. The Nasdaq, dominated by technology stocks, fell by far more than the S&P500 and the Dow Jones Industrial Average, which is dominated by blue chips.

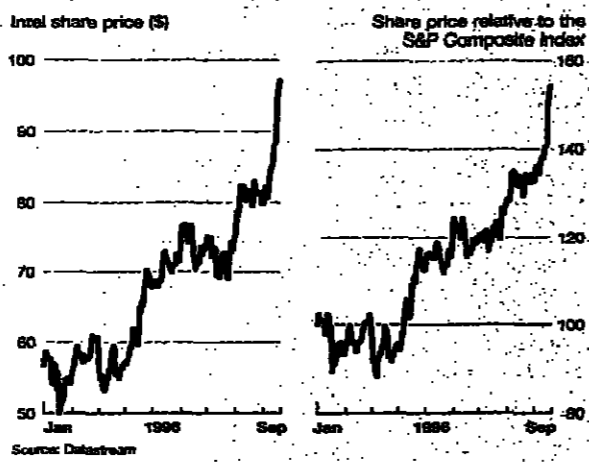
America Online, the largest US on-line service provider, typified the trend, losing more than half its value on the market since May, amid growls from analysts that its growth plans had proved over-ambitious. A well-publicised black-out last month, when the entire system was unavailable for a day, did not help matters.

Two months of market rallying later, with the Dow and S&P 500 setting all-time highs, and the high-technology stocks still appeared to have been left behind.

Not any more. Intel stunned the market on Monday evening with what some wags called a "reverse profit warning". It announced its profits for the quarter would be better than expected. Revenue in the third quarter would be up at least 5 per cent from its second quarter level of \$1.62bn, it said, citing strong sales.

Further fuel was pumped into the rally on Thursday by an International Data Corporation forecast that demand for personal computers could increase by as much as 13 per cent next year. Chip makers, including Intel, did well on the news. High-tech stocks gained across the board. America Online decided to do something about its share price by graduating from the Nas-

### Cresting the wave



daq to the "Big Board" of the New York Stock Exchange. It was greeted by an up-grading, its price rising \$2 to \$28. By Thursday, it had registered a close of \$33 1/4.

On Monday, Intuit, the market leader in software which allows on-line banking and financial transaction, even managed to raise its share price despite announcing an operating loss, and announcing it was keeping to a long-term strategy. Dealers were pleased by its decision to sell its bill-paying and banking services unit, in a move which reduced fears by banks that Intuit was setting itself up as a direct competitor.

Banks had enough to worry about, as their share prices are very sensitive to shifts in interest rates. This is not healthy at the moment, as the market outside the high-tech stocks remained obsessed by attempts to second guess the Federal Reserve, whose open markets committee meets next week.

During the week, the balance of opinion shifted back towards predicting a small rate rise. The markets had a lacklustre week as a result, with the main market indices down from all-time highs and long bond yields edging back above 7 per cent.

The fate of airlines may say more about the overall health of the market. Airlines have traditionally been priced generously, with the market prepared to give companies time to register profits. But the last two weeks have seen some sharp falls. Last week, American

Airlines made a cost warning. Oil prices, which leapt after the missile attack on Iraq, and a wages deal for pilots which was distinctly more generous than the management had hoped, meant its costs would be 4 per cent higher than expectation, the company said.

America West, a smaller, fast-growing carrier, also warned on profits. This week it was the turn of TWA, its name unfortunately still linked with the crash off Long Island which killed 230 people in July, to warn on profits. The airline said it would report earnings per share of just \$1.20 in the quarter to September, down from \$3.18 in the same quarter a year earlier. The company's shares had already dropped 13 per cent on the basis of a downgrading by Goldman Sachs.

Internet stocks do have one clear advantage over airlines — they are "high-tech", conferring a vogue previously enjoyed by plastics (remember The Graduate?), and by bio-technology stocks.

But there are plenty of cynics who believe that a company will command a premium if its name includes at least one incomprehensible scientific term, and nobody understands its product.

With understanding will come a lower rating.

Monday	5899.20	+ 50.68
Tuesday	5888.83	- 0.37
Wednesday	5877.38	- 11.47
Thursday	5867.74	- 9.62
Friday		

London

## A curse on herd mentality

Philip Coggan on how fund managers are judged

The curse of Cassandra, you will recall, was that, while her gloomy forecasts were correct, no one believed her. They must be feeling like that at PDFM this week.

The fund management arm of Union Bank of Switzerland has attracted plenty of publicity for its decision to have a lower-than-average weighting in UK equities and a higher-than-average exposure to cash.

This strategy has been portrayed as "gambling on a crash" and PDFM certainly believes that equities in the US and UK are overvalued. But its view only appears extraordinary because of the peculiar world of pensions management.

Pension fund managers are judged, not on whether they can deliver the best returns to beneficiaries, but on whether they produce annual returns better or worse than their peers. So

their benchmark is what other managers are doing; if the average manager has 80 per cent in UK equities, a manager is "overweight" if it has 55 per cent in that category or "underweight" if it has 45 per cent.

This produces a herd mentality as managers shift en masse from one investment category to another, desperately trying to keep up with the average. In recent years, for example, most UK managers have had a heavy exposure to the Pacific basin and a low exposure to the US, tactics which have not profited their clients.

But, from the manager's point of view, it does not matter if the fund falls in value by 9 per cent, provided the competition has lost 10 per cent. Poor overall returns are much less likely to get the firm the sack than a persistent failure to beat other managers.

This presents a manager from taking the cautious

view that, say, index-linked gilts will provide a safe but modest return that will provide a decent level of benefits and investing the bulk of the fund in that category.

PDFM stands out because of the extent of its caution but other UK fund managers have also been raising their cash holdings in recent months. One leading institution told me this week that it also thought the UK and US markets were overvalued (although not by as much as PPDFM believes).

However, it did not believe in raising too much cash because in the long run, equities were the best investment and it was difficult to justify short-term plays on the market.

Is there anything to justify PPDFM's caution? As the graph shows, the price-earnings ratio on the Non-Financial Index, while not at the peak reached in 1994, is well above its 10-year average. The yield on the FT-SE-A



Cassandra's gloomy forecasts were ever her forte. Susan Gery

All-Share index is also well below its 10-year mean. But the valuations, at least on some measures, look far more extreme in the US.

The sudden focus on PPDFM (which has been widely known to be cautious for some time) is no doubt due to the inexorable rise of the FT-SE 100 Index, which flirted with the 4,000 level this week and chalked up all-time intra-day highs.

The expiry of the FT-SE 100 index futures and options sparked a flurry of activity and the market also enjoyed a revival of takeover talk, notably in Zeneca, one of the speculators' old favourites. As usual, there was no hard news to back up the bid rumour.

The corporate results season continued with a spate of announcements. While there were a number of disappointing figures from small and medium sized companies, notably Roxboro, the electronics company, and Treats, the ice cream group, there was only one real disappointment in Footsie, RMC, the building materials company, which warned of continued weak demand in Germany.

The four-week average of the dividend index, this column's indicator of corporate sentiment, is currently at 56.4 per cent. That is around the middle of its recent range and shows that the corporate sector is confident, but not jubilant, in line with an economy which is growing at a decent, but not excessive, pace.

The indicator is calculated by subtracting the number

of dividend reductions from the number of increased payouts, and expressing the result as a percentage of the total (including maintained payouts).

There have been relatively few cuts recently, and only three this week.

The strength of the results season, and the recent rally in the markets, have encouraged analysts to raise their sights. A prime example is Kleinwort Benson, which has increased its end-year forecast for Footsie from 4,000 to 4,200.

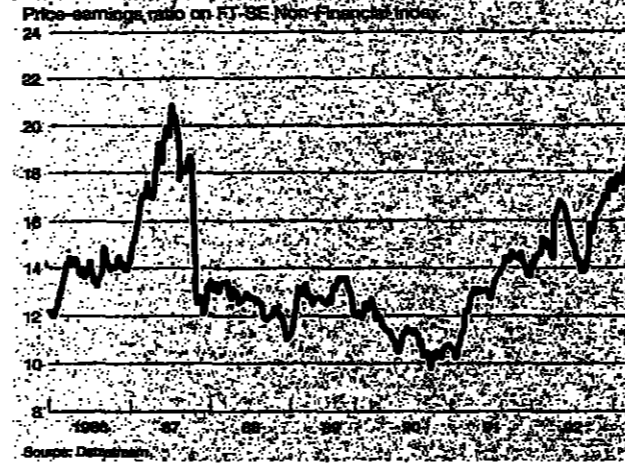
One reason cited by Kleinwort, ironically enough, is the high cash positions of institutions such as PPDFM. Fund managers may be forced to chase the market, especially as the corporate sector is still throwing off cash in the form of takeovers, share buy-backs and dividends.

Mark Brown, head of strategy and economics at ABN-Amro Hoare Govett, has also raised his end-year target for Footsie, although he remains fairly gloomy. "The recent rise in the market obliges us to moderate our cautious targets, but we maintain the view that it will be difficult to sustain a sub-4 per cent equities yield, against a background of rising real bond yields and slowing dividends, suggesting a FT-SE 100 level of 3,700 compared with our previous target of 3,500," he writes in a recent report.

If Brown is proved right, he can at least be sure that the folks at PPDFM will be willing to buy him a celebratory drink.

### Shares are not always relative to earnings

Price-earnings ratio on FT-SE Non-Financial Index



### Highlights of the week

FT-SE 100 Index	3984.1	-3.5	3977.2	3460.1	Interest rate nerves
ASDA	102 1/4	-1/4	122	84	Fears over price competition
Alcatel	77 1/2	+1/2	838	828	Share rise in profits
BAA	500	-28 1/4	595	447	Pricing formula hopes
BAT Inds	487 1/2	-2 1/2	586	421	US cover suffers
British Airways	42 1/2	-1 1/2	453	220	US approach
Cable & Wireless	458	+14	554	387	Cost saving plans unveiled
Lloyds TSB	600 1/4	+38	638	498	Brokers' recommendations
Next	568	-28 1/4	608 1/2	398	Profit-taking following results
Philips	42 1/2	-1 1/2	453	220	US approach
Rentok	42 1/2	-1 1/2	453	220	US approach
Safeway	322 1/2	-1 1/2	341	288	Price competition fears
Ti Group	587	-20 1/2	580	415	Shortage of stock
Vodafone	222	-10	274 1/2	203	Self recommendations, options selling



Barry Riley

## Of market tops and laptops

Steve the strategist is caught short on tactics

How had that worked out? "Like most people I'm disappointed at how long it takes for the Bundesbank to rise up to events," said Steve. "In fact the Frankfurt market has been hitting all-time highs and it is up 14 per cent this year in local currency, which is better than New York, London or Tokyo. That isn't true in dollars, but I warned that the D-Mark would need to be hedged this year."

"I was hoping for more, because I expected that German interest rates would have been nearer 2 than 3 per cent by now. It will still happen. The French are desperate — just look at their budget this week, patched together by raiding France Télécom's pension plan — and Germany is not much healthier. Once the crazy over-optimism of the 1997 economic growth forecasts is exposed (and that may happen as soon as this Christmas) the Maastricht borrowing limits will be seen to be completely out of reach. The only way out will be through much looser monetary policy."

"Look, I've an animated chart here," he added. "Damn, the system is running too slowly." Cheap money was traditionally good for equities, I acknowledged, but that didn't seem to have

been borne out in Japan this year. The Tokyo index had gone nowhere. Foreigners had piled in but by July were getting out again in frustration. They had lost on the yen, too, if they hadn't hedged. What had gone wrong?

"They call it the coffin-tid on the stock market," said

**The French are desperate and the Germans are not much healthier**

Steve. "Right now they are cautiously digesting the JR West railway flotation, remembering how the JR East privatisation in 1993 ruined a previous market recovery. Japan is a country with mountainous debts but scarcely any equity. The supply is going to be massive. That isn't true in Germany, apart from the imminent Deutsche Telekom privatisation. And the scope for waking up managements and releasing shareholder value is vast."

British investors are certainly putting large sums into continental stock markets, I said. But they also had a lot tied up in east

Asia, which had been sluggish this year, with the Pacific Basin or Japan Index no higher than at the end of January.

"It's true, a lot of emerging Asia is running into trouble," said Steve. "I'm advising a serious downweighting. Several countries like Korea and Thailand have political or financial problems. I guess these are just growing pains but the export growth that has powered the region's expansion has slowed sharply and there are some nasty balance of trade deficits. I would steer clear for the next year or two."

Talking of trade deficits, I said, the widening of the US trade gap reported this week to \$11.7bn for July had highlighted the old problem of the need for the US to attract capital inflows. And it was interesting that US government spokesmen were laying off Japan and were beginning to attack Europe for running deflationary policies and undermining global growth. "Right now the money's still flowing," said Steve. "Japan's renewed economic weakness has confirmed that yen rates won't be rising from 1/4 per cent for a while yet. That perception has been a factor in the latest Dow surge towards 6,000. And German rates, as I say, are going lower."

"So the perpetual value creation machine continues to crank out higher Wall Street prices, although with declining momentum. Declaring money floods into US bonds, American investors are released to buy equities and the mutual funds chase hot stocks and technology offerings higher and higher. But the strains are definitely showing. Ten-year US Treasury bond yields are up 110 basis points this year so far while German bonds are yielding only 15 basis points more and French, Italian and Japanese bond yields are all down."

It seemed, I said, as though the dollar bonds could only be sold at higher and higher yields. But meanwhile the dividend yield on US equities had dropped to 2 per cent. At some point the tension between the equity and bond markets would surely become unbearable.

"You've got the picture," said Steve. "But when? That's exactly where my dynamic model of the yield ratio's displacement from the equilibrium level comes in." He moved the cursor and keyed in a code, but the screen flashed briefly red, blue and yellow before blacking out. "Sonabhitchi" snapped Steve. "It's crashed."

Thought for the day

28,000  
financial products.  
4,000 mortgages.  
164 unit trust companies.  
Or 1 phone call.

0117 971 1177

See an IFA

Offshore managed funds and UK managed funds are listed in Section One

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